

# **National Aviary in Pittsburgh, Inc.**

## Financial Statements

Years Ended December 31, 2022 and 2021  
with Independent Auditor's Report

**MaherDuessel**

Pursuing the profession while promoting the public good©  
[www.md-cpas.com](http://www.md-cpas.com)

# NATIONAL AVIARY IN PITTSBURGH, INC.

YEARS ENDED DECEMBER 31, 2022 AND 2021

## TABLE OF CONTENTS

---

### **Independent Auditor's Report**

### **Financial Statements:**

Statements of Financial Position	1
Statements of Activities:	
- Year Ended December 31, 2022	2
- Year Ended December 31, 2021	3
Statements of Functional Expenses:	
- Year Ended December 31, 2022	4
- Year Ended December 31, 2021	5
Statements of Cash Flows	6
Notes to Financial Statements	7

## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Aviary, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

*Maher Duessel*

Pittsburgh, Pennsylvania  
April 27, 2023

# NATIONAL AVIARY IN PITTSBURGH, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Assets</b>		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 1,227,703	\$ 3,712,441
Cash and cash equivalents, restricted	489,942	739,001
Grants receivable	473,000	302,675
Other receivables	51,679	26,657
Inventories	43,582	33,230
Prepaid expenses	131,751	112,982
Total current assets	2,417,657	4,926,986
Property and equipment, net	16,577,694	14,403,705
Noncurrent assets:		
Other assets	11,056	11,056
Investments, conservation endowment	3,445,790	4,293,679
Investments, audience development endowment	899,874	1,128,575
Investments, audience development restricted reserve	9,967	9,853
Investments, other endowments	87,462	103,579
Investments, 457(b) retirement plan	34,486	19,500
Total noncurrent assets	4,488,635	5,566,242
<b>Total Assets</b>	<b>\$ 23,483,986</b>	<b>\$ 24,896,933</b>
<b>Liabilities and Net Assets</b>		
<hr/>		
Liabilities:		
Current liabilities:		
Current portion of long term debt	\$ -	\$ 100,000
Current portion of finance lease obligation	13,156	12,888
Accounts payable and accrued expenses	178,965	229,374
Accrued payroll and withheld taxes	166,921	148,404
Refundable advance	-	903,823
Deferred revenue	658,631	636,113
Total current liabilities	1,017,673	2,030,602
Long-term liabilities:		
457(b) retirement plan obligation	51,469	51,100
Long-term debt	-	550,000
Finance lease obligation	27,582	40,738
Total long-term liabilities	79,051	641,838
Total Liabilities	1,096,724	2,672,440
Net Assets		
Without donor restrictions	17,523,833	15,729,534
With donor restrictions	4,863,429	6,494,959
Total Net Assets	22,387,262	22,224,493
<b>Total Liabilities and Net Assets</b>	<b>\$ 23,483,986</b>	<b>\$ 24,896,933</b>

See accompanying notes to financial statements.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>			
Governmental grants	\$ 2,347,062	\$ 1,075,000	\$ 3,422,062
Admissions	2,001,727	-	2,001,727
Memberships	380,299	-	380,299
Merchandise sales	658,751	-	658,751
Fundraising events	515,518	-	515,518
Private grants and donations	836,605	714,980	1,551,585
Facility rental	622,000	-	622,000
Contributed nonfinancial assets	375,056	-	375,056
Educational programs	728,355	-	728,355
Parking revenue, net of tax	78,452	-	78,452
Interest and dividends, net	4,919	82,057	86,976
	<u>8,548,744</u>	<u>1,872,037</u>	<u>10,420,781</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	802,796	(802,796)	-
Total support and revenue	<u>9,351,540</u>	<u>1,069,241</u>	<u>10,420,781</u>
<b>Expenses:</b>			
Program services	5,865,978	-	5,865,978
General and administrative	995,496	-	995,496
Fundraising	993,240	-	993,240
	<u>7,854,714</u>	<u>-</u>	<u>7,854,714</u>
<b>Change in Net Assets before Other Changes</b>			
	<u>1,496,826</u>	<u>1,069,241</u>	<u>2,566,067</u>
<b>Other Changes:</b>			
Satisfaction of capital program restrictions	1,784,108	(1,784,108)	-
Net realized and unrealized gains (losses)	(6,170)	(916,663)	(922,833)
Gain on extinguishment of debt	-	-	-
Depreciation and amortization	(1,480,465)	-	(1,480,465)
	<u>297,473</u>	<u>(2,700,771)</u>	<u>(2,403,298)</u>
<b>Change in Net Assets</b>			
	<u>1,794,299</u>	<u>(1,631,530)</u>	<u>162,769</u>
<b>Net Assets:</b>			
Beginning of year	15,729,534	6,494,959	22,224,493
End of year	<u>\$ 17,523,833</u>	<u>\$ 4,863,429</u>	<u>\$ 22,387,262</u>

See accompanying notes to financial statements.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>			
Governmental grants	\$ 1,355,522	\$ -	\$ 1,355,522
Admissions	1,645,965	-	1,645,965
Memberships	343,129	-	343,129
Merchandise sales	554,607	-	554,607
Fundraising events	71,357	-	71,357
Private grants and donations	1,245,919	593,791	1,839,710
Facility rental	350,156	-	350,156
Contributed nonfinancial assets	305,992	-	305,992
Educational programs	629,879	-	629,879
Parking revenue, net of tax	73,034	-	73,034
Interest and dividends, net	2,506	82,054	84,560
	6,578,066	675,845	7,253,911
Net assets released from restrictions:			
Satisfaction of program restrictions	676,501	(676,501)	-
Total support and revenue	7,254,567	(656)	7,253,911
<b>Expenses:</b>			
Program services	4,938,514	-	4,938,514
General and administrative	931,576	-	931,576
Fundraising	728,542	-	728,542
	6,598,632	-	6,598,632
	655,935	(656)	655,279
<b>Change in Net Assets before Other Changes</b>			
<b>Other Changes:</b>			
Satisfaction of capital program restrictions	461,831	(461,831)	-
Net realized and unrealized gains (losses)	-	482,681	482,681
Gain on extinguishment of debt	1,641,600	-	1,641,600
Depreciation and amortization	(1,380,259)	-	(1,380,259)
	723,172	20,850	744,022
	1,379,107	20,194	1,399,301
<b>Change in Net Assets</b>			
<b>Net Assets:</b>			
Beginning of year	14,350,427	6,474,765	20,825,192
End of year	\$ 15,729,534	\$ 6,494,959	\$ 22,224,493

See accompanying notes to financial statements.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	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	\$ 1,138,611	\$ 836,855	\$ 571,847	\$ 1,074,843	\$ 3,622,156	\$ 608,624	\$ 524,927	\$ 4,755,707
Office expenses	29,959	6,288	1,024	33,453	70,724	19,127	59,110	148,961
Staff development	18,422	8,942	4,680	4,071	36,115	56,045	709	92,869
Community outreach and promotion	1,326	-	-	118,144	119,470	15,753	23,629	158,852
Occupancy	-	4,352	14,533	797,903	816,788	49,852	17,323	883,963
Professional fees	3,009	14,300	14,300	54,337	85,946	72,963	45,065	203,974
Animal care expenses	18,045	90,510	89,985	-	198,540	-	-	198,540
Conservation expenses	-	-	71,461	-	71,461	-	-	71,461
Veterinary expenses	-	37,940	-	-	37,940	-	-	37,940
Insurance	-	-	-	-	-	84,441	-	84,441
Interest expense	-	-	-	-	-	25,077	-	25,077
Memberships and dues	2,130	6,796	5,306	24,716	38,948	2,446	1,811	43,205
Travel	717	2,217	1,919	832	5,685	303	1,867	7,855
Information technology	-	-	-	53,820	53,820	13,065	13,467	80,352
Donated goods and services	500	-	-	133,055	133,555	16,914	59,587	210,056
Design costs	-	-	-	24,449	24,449	3,260	5,890	33,599
Special events cost	-	-	-	-	-	-	200,567	200,567
Cost of goods sold	272,572	-	-	-	272,572	-	-	272,572
Credit card fees	164,651	-	-	-	164,651	-	-	164,651
Donor relations	-	-	-	-	-	-	36,908	36,908
Event expense	-	-	-	79,134	79,134	-	-	79,134
Miscellaneous	19,885	572	349	13,218	34,024	27,626	2,380	64,030
<b>Total Expenses</b>	<b>1,669,827</b>	<b>1,008,772</b>	<b>775,404</b>	<b>2,411,975</b>	<b>5,865,978</b>	<b>995,496</b>	<b>993,240</b>	<b>7,854,714</b>
Depreciation and amortization	-	-	-	1,347,244	1,347,244	104,549	28,672	1,480,465
<b>Total Functional Expenses</b>	<b>\$ 1,669,827</b>	<b>\$ 1,008,772</b>	<b>\$ 775,404</b>	<b>\$ 3,759,219</b>	<b>\$ 7,213,222</b>	<b>\$ 1,100,045</b>	<b>\$ 1,021,912</b>	<b>\$ 9,335,179</b>

See accompanying notes to financial statements.



# NATIONAL AVIARY IN PITTSBURGH, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	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	\$ 1,054,883	\$ 775,107	\$ 546,201	\$ 850,926	\$ 3,227,117	\$ 593,319	\$ 540,556	\$ 4,360,992
Office expenses	23,889	4,870	573	28,354	57,686	15,079	65,104	137,869
Staff development	7,948	4,449	2,541	6,879	21,817	23,386	1,381	46,584
Community outreach and promotion	1,719	-	-	81,341	83,060	10,845	16,268	110,173
Occupancy	-	1,418	5,671	731,471	738,560	45,422	15,873	799,855
Professional fees	8,397	5,000	5,000	733	19,130	65,224	15	84,369
Animal care expenses	8,845	81,587	81,126	-	171,558	-	-	171,558
Conservation expenses	-	-	19,967	-	19,967	-	-	19,967
Veterinary expenses	-	32,888	-	-	32,888	-	-	32,888
Insurance	-	-	-	-	-	76,820	-	76,820
Interest expense	-	-	-	-	-	19,743	-	19,743
Memberships and dues	1,038	6,756	5,709	847	14,350	27,499	2,113	43,962
Travel	451	61	768	38	1,318	86	332	1,736
Information technology	-	-	-	53,534	53,534	15,608	11,897	81,039
Donated goods and services	-	146	146	89,049	89,341	11,807	39,844	140,992
Design costs	-	-	-	24,059	24,059	3,208	5,862	33,129
Special events cost	-	-	-	-	-	-	4,365	4,365
Cost of goods sold	227,460	-	-	-	227,460	-	-	227,460
Credit card fees	114,640	-	-	-	114,640	-	-	114,640
Donor relations	-	-	-	-	-	-	22,952	22,952
Event expense	17,161	-	-	-	17,161	-	-	17,161
Miscellaneous	9,771	756	512	13,829	24,868	23,530	1,980	50,378
<b>Total Expenses</b>	<b>1,476,202</b>	<b>913,038</b>	<b>668,214</b>	<b>1,881,060</b>	<b>4,938,514</b>	<b>931,576</b>	<b>728,542</b>	<b>6,598,632</b>
Depreciation and amortization	-	-	-	1,255,589	1,255,589	98,135	26,535	1,380,259
<b>Total Functional Expenses</b>	<b>\$ 1,476,202</b>	<b>\$ 913,038</b>	<b>\$ 668,214</b>	<b>\$ 3,136,649</b>	<b>\$ 6,194,103</b>	<b>\$ 1,029,711</b>	<b>\$ 755,077</b>	<b>\$ 7,978,891</b>

See accompanying notes to financial statements.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 162,769	\$ 1,399,301
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,480,465	1,380,259
Unrealized loss (gain) on investments	995,713	(3,469)
Realized loss (gain) on investments	(72,880)	(479,212)
Contributions restricted for long-term purposes	(970,000)	(77,500)
Extinguishment of long-term debt	-	(1,641,600)
Change in:		
Grants receivable	(170,325)	202,325
Other receivables	(25,022)	(15,785)
Inventories	(10,352)	3,322
Prepaid expenses	(18,769)	(44,499)
Other assets	-	(4,353)
Accounts payable and accrued expenses	(50,409)	(540,804)
Accrued payroll and withheld taxes	18,517	18,712
Refundable advance	(903,823)	903,823
Deferred revenue	22,518	279,583
457(b) retirement plan obligation	369	51,100
Net cash provided by (used in) operating activities	458,771	1,431,203
<b>Cash Flows From Investing Activities:</b>		
Payments for capital expenditures	(3,654,454)	(378,965)
Purchases of investments	(1,501,968)	(2,616,395)
Proceeds from sale of investments	1,656,742	2,766,842
Net cash provided by (used in) investing activities	(3,499,680)	(228,518)
<b>Cash Flows From Financing Activities:</b>		
Receipts of contributions restricted for long-term purposes	970,000	528,909
Proceeds from long-term debt	-	820,800
Repayment of finance lease obligation	(12,888)	(16,987)
Repayment of long-term debt	(650,000)	(104,937)
Net cash provided by (used in) financing activities	307,112	1,227,785
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,733,797)	2,430,470
<b>Cash, Cash Equivalents, and Restricted Cash:</b>		
Beginning of year	4,451,442	2,020,972
End of year	\$ 1,717,645	\$ 4,451,442
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid:		
Term loan	\$ 23,892	\$ 18,401
Finance lease	1,185	1,323
Vehicle loan	-	19
Total interest paid	\$ 25,077	\$ 19,743
Addition of right to use assets for financing leases	\$ -	\$ 54,825

See accompanying notes to financial statements.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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 17% and 20% of its annual operating budget from the Allegheny Regional Asset District for the years ended December 31, 2022 and 2021, 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, future periods, or perpetuity. 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 and Revenue Recognition

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, 2022 AND 2021

---

are not recognized until the conditions on which they depend have been substantially met. The Aviary had two conditional contributions totaling \$815,000 at December 31, 2022 and two conditional contributions in the amount of \$1,000,000 at December 31, 2021.

In 2021, the Aviary received a federal grant which was conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Aviary has incurred eligible expenditures and complied with specific grant provisions. Amounts received prior to complying with the specific grant provisions are reported as refundable advances on the statement of financial position. At December 31, 2022 and 2021, the Aviary has federal grant funds of \$0 and \$903,823, respectively, that have not been recognized as revenue because qualifying grant provisions have not yet been met and received funds are recorded as refundable advances. All grant provisions were successfully met in 2022, resulting in the full grant amount being recognized as revenue.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time period has elapsed, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### Grants and Accounts Receivable

Grants receivable represent amounts awarded by donors and government agencies that have not been received. Management has determined that no allowance was considered necessary at December 31, 2022 and 2021. The grants receivable balance as of December 31, 2022 and 2021 was \$473,000 and \$302,675, respectively.

Receivables from contracts with customers are reported as other receivables, net any allowance. Management determines the allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance was deemed necessary for the years ended December 31, 2022 and 2021. The other receivables beginning balance as of January 1, 2022 and 2021 was \$26,657 and \$10,872, respectively. The other receivables ending balance as of December 31, 2022 and 2021 was \$51,679 and \$26,657, respectively.

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

---

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

incorporating risk-adjusted discount rates designed to reflect the assumptions market 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, 2022 and 2021, there were no material discounts to be recognized.

### 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, 2022 and 2021 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,227,703	\$ 3,712,441
Restricted cash	<u>489,942</u>	<u>739,001</u>
	<u>\$ 1,717,645</u>	<u>\$ 4,451,442</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.

### 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).

---

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

At December 31, 2022, the Aviary had 2017 and prior net operating loss carry-forwards resulting from its unrelated business activities of approximately \$611,000, 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 2018-2022 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.

### Concentration of Credit Risk

The Aviary only maintains cash balances with financial institutions having a high credit quality. At times, such cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The solvency of financial institutions is monitored and is not a concern of management at this time.

### 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.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

The following reflects the Aviary's financial assets (cash and cash equivalents, receivables, and investments) as of December 31, 2022 and 2021 expected to be available within one year to meet the cash needs for general ongoing operational expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 6,719,903	\$ 10,335,960
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor restricted for purpose, or those unavailable within one year	(185,000)	(143,000)
Investments held in perpetuity	(4,278,093)	(5,327,686)
Investments held for future contractual purpose	<u>(34,486)</u>	<u>(19,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,222,324</u>	<u>\$ 4,845,774</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. Proceeds from the living collection are rare; however, if they were obtained, they would be used for direct care of the collection (i.e., veterinary bills and animal food). During the years ended December 31, 2022 and 2021, the Aviary spent \$4,285 and \$1,840, respectively, to enhance its living collection, and there were no material deaccessions in either 2022 or 2021. These amounts are included with program services in the statements of activities.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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. and useful life of five years or more. Estimated useful lives are as follows:

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, 2022 or 2021.

### Leases:

The Aviary determines if an arrangement is or contains a lease at inception. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months, for which the Aviary made the short-term lease election and those that are clearly immaterial. Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets would also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the rate stated for the lease or an acceptable alternative rate if the lease rate is not disclosed. Operating lease cost would be recognized on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Aviary will exercise that



# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

option. The Aviary had no material operating leases for the years ending December 31, 2022 and 2021.

For the years ended December 31, 2022 and 2021, the Aviary had two finance leases, formerly known as a capital lease. Finance lease ROU assets continue to be included in Property, plant, and equipment, net, and the related liabilities are included as financing lease liabilities in the statements of financial position.

### Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated property, donated equipment, and other in-kind contributions which are recorded at their estimated fair values at the date of donation (Note 12). Contributed nonfinancial assets are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. In addition to contribute nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

### 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 such differences could be material.

### 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

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

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.

### Inventories

Inventories, primarily program-related gift shop merchandise held for sale, are stated at the lower of cost or market, 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

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

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 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

ASU 2016-02, "*Leases (Topic 842)*." These amendments and related amendments 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 are 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. In adopting ASC 842, the Aviary elected to use practical expedients, including but not limited to, not reassessing past lease accounting, and not recording assets or liabilities for leases with

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

terms of one year or less. ASC 842 did not have a significant effect on the Aviary's accounting for lessee contracts classified as finance leases (formerly known as capital leases), the only material leases held. Adoption had no effect on net assets.

ASU 2020-07, *"Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets."* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements with a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization.

### Pending Accounting Standards Updates

The Financial Accounting Standards Board (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 this update on the financial statements.

ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

### 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, 2022 AND 2021

---

### 3. Net Assets

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

	<u>2022</u>	<u>2021</u>
Capital projects	\$ 80,905	\$ 83,866
Program restricted	286,431	758,672
Time restricted	53,000	116,735
Endowments (Note 6)	4,443,093	5,535,686
	<u>\$ 4,863,429</u>	<u>\$ 6,494,959</u>

### 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furnishings	\$ 775,304	\$ 717,443
Office equipment	1,208,050	1,196,772
Mechanical equipment	4,103,291	4,037,263
Leasehold improvements	25,988,165	25,442,728
Right to use asset - finance lease	66,839	66,839
	<u>32,141,649</u>	<u>31,461,045</u>
Less accumulated depreciation and amortization	<u>18,645,284</u>	<u>17,164,819</u>
	13,496,365	14,296,226
Construction in progress	<u>3,081,329</u>	<u>107,479</u>
Total	<u>\$ 16,577,694</u>	<u>\$ 14,403,705</u>

Depreciation and amortization expense was \$1,480,465 and \$1,380,259, including amortization related to finance leases in the amount of \$13,253 and \$13,019 for the years ended December 31, 2022 and 2021, respectively. Material construction in progress at December 31, 2022 relates to the ongoing Wetlands exhibit renovation project.

---

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

### 5. Leases

As a lessee, the Aviary leases equipment for administrative purposes under financing leases expiring at various dates through 2026.

	<u>2022</u>	<u>2021</u>
Finance lease cost:		
Amortization of right-of-use assets	\$ 25,943	\$ 12,689
Interest on lease liabilities	1,185	1,323
Total finance lease cost	<u>\$ 27,128</u>	<u>\$ 14,012</u>
<i>Supplemental cash flow information related to leases:</i>		
Financing cash flows from finance leases	\$ 12,888	\$ 16,987
<i>Supplemental balance sheet information related to leases:</i>		
ROU assets	\$ 66,839	\$ 66,839
Accumulated depreciation	(25,943)	(12,689)
	<u>\$ 40,896</u>	<u>\$ 54,150</u>
Lease liabilities	<u>40,738</u>	<u>53,626</u>
Weighted average remaining lease term:	3.1 years	4.06 years
Weighted average discount rate:	2.23%	2.29%
<i>Lease maturity table:</i>		
	<u>Years Ending December 31,</u>	
	2023	\$ 13,156
	2024	12,286
	2025	11,424
	2026	3,872
	Total	<u>\$ 40,738</u>
Current portion	\$ 13,156	
Long-term portion	27,582	
Total	<u>\$ 40,738</u>	

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

### 6. Investments and Fair Value Measurements

The fair value and cost basis of investments at December 31, 2022 and 2021 were as follows:

	2022		2021	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Money market funds	\$ 52,701	\$ 52,701	\$ 105,856	\$ 105,586
Mutual funds	4,696,513	4,424,878	4,684,376	5,449,600
	<u>\$ 4,749,214</u>	<u>\$ 4,477,579</u>	<u>\$ 4,790,232</u>	<u>\$ 5,555,186</u>

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 52,701	\$ 52,701	\$ -	\$ -
Mutual funds:				
Alternative funds	397,635	397,635	-	-
Balanced funds	85,374	85,374	-	-
Developed international funds	399,394	399,394	-	-
Emerging markets funds	118,601	118,601	-	-
Fixed income funds	1,678,901	1,678,901	-	-
Large cap funds	1,353,926	1,353,926	-	-
Mid cap funds	232,252	232,252	-	-
Real estate funds	-	-	-	-
Small cap funds	158,795	158,795	-	-
Total mutual funds	<u>4,424,878</u>	<u>4,424,878</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,477,579</u>	<u>\$ 4,477,579</u>	<u>\$ -</u>	<u>\$ -</u>

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	<u>\$ 105,586</u>	<u>\$ 105,586</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds:				
Alternative funds	396,513	396,513	-	-
Balanced funds	89,261	89,261	-	-
Developed international funds	542,523	542,523	-	-
Emerging markets funds	267,954	267,954	-	-
Fixed income funds	1,874,103	1,874,103	-	-
Large cap funds	1,657,986	1,657,986	-	-
Mid cap funds	302,670	302,670	-	-
Real estate funds	48,804	48,804	-	-
Small cap funds	<u>269,786</u>	<u>269,786</u>	<u>-</u>	<u>-</u>
Total mutual funds	<u>5,449,600</u>	<u>5,449,600</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,555,186</u>	<u>\$ 5,555,186</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2022 and 2021.

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, 2022 AND 2021

---

### 7. Endowments and Restricted Reserve

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 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. In November 2022, the Aviary withdrew \$50,000 from the Audience Development Endowment, which was invested in the Wetlands Habitat Renovation Project.

The remaining \$500,000 of the Audience Development Fund is not a permanent endowment but rather 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 repaid 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 repaid in full. Annual withdrawals of 5% from the permanently restricted endowment can be used to repay the restricted reserve.

In 2020, \$500,000, the reserve's initial investment balance, was withdrawn and invested in the Garden Room Construction Project that greatly enhanced the Aviary's ability to expand

---

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

educational and facility rental offerings to its customers. In February 2022, the Aviary replenished the full \$500,000 amount drawn in 2020 for the Garden Room Project.

In June 2022, the Aviary withdrew \$500,000 from the reserve and invested the funds in the Wetlands Habitat Renovation Project.

As of December 31, 2022 and 2021, the balance of the Audience Development Reserve was \$9,967 and \$9,853, respectively.

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.

The endowment funds consisted of the following at December 31, 2022:

	Original Gift Value	Fair Value
Permanent Endowments:		
Avian Conservation Endowment Fund	\$ 4,000,000	\$ 3,445,790
African Grey Parrot Endowment Fund	25,500	31,367
Capital Endowment Fund	50,000	56,095
Audience Development Endowment	1,000,000	899,874
Total Permanent Endowments	5,075,500	4,433,126
Audience Development Reserve	500,000	9,967
Total Endowment Funds	<u>\$ 5,575,500</u>	<u>\$ 4,443,093</u>

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

The endowment funds consisted of the following at December 31, 2021:

	Original Gift Value	Fair Value
Permanent Endowments:		
Avian Conservation Endowment Fund	\$ 4,000,000	\$ 4,293,679
African Grey Parrot Endowment Fund	25,500	37,308
Capital Endowment Fund	50,000	66,271
Audience Development Endowment	1,000,000	1,128,575
Total Permanent Endowments	5,075,500	5,525,833
Audience Development Reserve	500,000	9,853
Total Endowment Funds	<u>\$ 5,575,500</u>	<u>\$ 5,535,686</u>

From time to time, permanent endowment funds may have fair values less than the amount required to be maintained by donors or law (underwater endowments). The Aviary has a policy that permits spending from underwater permanent endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Avian Conservation Endowment Funds were below the original corpus gift of \$4,000,000 by \$554,210 mainly due to market conditions at December 31, 2022. Audience Development Endowment Funds were below the original corpus gift of \$1,000,000 by \$100,126 due to allowed draws taken as well as market conditions at December 31, 2022. There were no underwater endowments at December 31, 2021.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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:

Type of security:	Range
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, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ -	\$ 5,535,686	\$ 5,535,686
Contributions	-	-	-
Investment income	-	192,778	192,778
Net appreciation (depreciation)	-	(989,308)	(989,308)
Amounts appropriated for expenditures	-	(257,987)	(257,987)
Other expense	-	(38,076)	(38,076)
Endowment assets, end of year	\$ -	\$ 4,443,093	\$ 4,443,093

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

The changes in endowment net assets as of December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ -	\$ 5,222,952	\$ 5,222,952
Contributions	-	-	-
Investment income	-	596,162	596,162
Net appreciation (depreciation)	-	3,469	3,469
Amounts appropriated for expenditures	-	(252,000)	(252,000)
Other expense	-	(34,897)	(34,897)
Endowment assets, end of year	<u>\$ -</u>	<u>\$ 5,535,686</u>	<u>\$ 5,535,686</u>

### 8. Investment Income (Loss)

As of December 31, 2022 and 2021, investment income (loss) consisted of the following:

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Interest and dividends:				
Interest income	\$ 4,254	\$ -	\$ 2,506	\$ -
Dividend income	665	82,057	-	82,054
Total	<u>\$ 4,919</u>	<u>\$ 82,057</u>	<u>\$ 2,506</u>	<u>\$ 82,054</u>
Net realized and unrealized gains (losses):				
Realized gains	\$ 235	\$ 72,645	\$ -	\$ 479,212
Unrealized gains (losses)	(6,405)	(989,308)	-	3,469
Total	<u>\$ (6,170)</u>	<u>\$ (916,663)</u>	<u>\$ -</u>	<u>\$ 482,681</u>

Expenses related to investment revenues, including custodial fees and investment advisory fees, amounted to \$38,076 and \$34,897 in 2022 and 2021, respectively, and have been netted against income to produce net investment income (loss) presented above.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

### 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. Beginning and ending deferred revenue balances consisted of the following for the years ending December 31, 2022 and 2021:

	As of January 1,		As of December 31,	
	2022	2021	2022	2021
Admissions	\$ 132,984	\$ 71,955	\$ 106,523	\$ 132,984
Memberships	186,926	120,144	184,071	186,926
Facility rentals	316,203	164,431	368,037	316,203
Total Deferred Revenue	<u>\$ 636,113</u>	<u>\$ 356,530</u>	<u>\$ 658,631</u>	<u>\$ 636,113</u>

The following table provide information about significant changes in the contract liabilities related to memberships for the years ended December 31, 2022 and 2021:

	2022	2021
Deferred memberships, beginning of year	\$ 186,926	\$ 120,144
Revenue recognized that was included in deferred memberships at the beginning of the year	(186,926)	(120,144)
Increase in deferred memberships due to cash received during the period	<u>184,071</u>	<u>186,926</u>
Deferred memberships, end of year	<u>\$ 184,071</u>	<u>\$ 186,926</u>

### 10. Debt

In 2020, the Aviary secured a \$750,000 36-month term loan that was used, as necessary, for the Garden Room Project. The balance of the loan was \$0 and \$650,000 at December 31, 2022 and 2021, respectively with the loan balance fully repaid in 2022. This vehicle allowed the Aviary to smoothly complete the project in the desired time frame while awaiting contributions to be paid over time. The interest rate charged on any draws mirrored the line of credit interest rate as discussed in Note 11.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 11. Line of Credit

The Aviary has in place an \$850,000 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 2022 and 2021. The outstanding balance as of both December 31, 2022 and 2021 was \$0.

### 12. Contributed Nonfinancial Assets

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Building and equipment	\$ 190,000	\$ 165,000
Animal care supplies	-	292
Horticulture supplies	-	1,000
Advertising	146,590	117,500
Fundraiser donations	37,126	22,200
Miscellaneous	1,340	-
Total	<u>\$ 375,056</u>	<u>\$ 305,992</u>

The Aviary recognized contributed nonfinancial assets within revenue, including its building and certain equipment, advertising, fundraiser and other donations. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Aviary leases its building under a non-cancelable operating lease with the City of Pittsburgh for an annual rental of \$1, which expired on June 30, 2021. The renewal of a new 29-year lease was stalled, largely due to COVID-19. Both the City of Pittsburgh and the Aviary agreed to continue working under the terms of the expired lease on a month-to-month basis while a new lease is constructed. The Aviary is responsible for capital improvements to the building, which it has capitalized, and the maintenance of the facilities. The estimated value of these donated facilities is \$165,000 per year and is included as support and revenue under contributed nonfinancial assets and as expense in the statements of activities.

# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

Contributed animal care and horticulture supplies are recognized as in-kind revenues at their estimated fair value at the time of the donation based on retail value. Contributed animal care supplies recognized comprise various animal care products such as animal food and tubes for bird enrichment. Contributed horticulture supplies recognized comprise various plants and decorative containers.

Contributed advertising services are used to promote various Aviary programs and fundraisers and are recognized as in-kind revenues if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Contributed advertising services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

The Aviary receives various in-kind donations including food, beverages, and prizes for its fundraisers. Contributed fundraiser donations are recognized as in-kind revenues at their estimated fair value at the time of the donation based on retail value.

### **13. Retirement Plan**

The Aviary has in place a retirement plan qualified under Section 403(b) of the Internal Revenue Code. Employees can make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Aviary matches employee contributions 100% up to a maximum of 3% of gross wages for each employee.

In 2021, a 457(b) retirement plan was established to supplement executive compensation. A catch-up provision was included in 2021 retroactive to 2013 for eligible executives participating in this plan. Annually, the Aviary's maximum contribution to the 457(b) plan for eligible executives is 3% of gross wages.

Aviary contributions under all plans in place were \$107,644 and \$100,547, respectively, for the years ended December 31, 2022 and 2021.

### **14. Allegheny Regional Asset District Grant**

The Aviary has had an agreement with the Allegheny Regional Asset District (ARAD), which provided annual operating grants to the Aviary based on regional sales tax collections since 1995. The agreement was amended most recently in 2019 to extend the term through December 31, 2024. The amounts received and recognized as revenue in 2022 and 2021 for

---



# NATIONAL AVIARY IN PITTSBURGH, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

operating grants were \$1,356,098 and \$1,291,522, respectively. Additionally, ARAD awarded capital grants of \$565,000 and \$750,000 in 2022 and 2021, respectively. Capital grants are recorded as a conditional promise to give until eligible project spending is completed. At that time, the award is recorded as revenue with donor restriction and released once ARAD has received and approved all required submitted documents related to project completion from the Aviary. The amount of ARAD approved and reimbursed eligible capital grant project spending was \$750,000 and \$0, respectively, for 2022 or 2021.

### 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, 2022 and 2021, gross revenues generated from these events of \$515,518 and \$71,357, respectively, and expenses of \$200,567 and \$4,365, respectively, are included on the statements of activities.

### 16. COVID-19 Relief Programs

As described in Note 2, in 2021 the Aviary received a Shuttered Venue Operators Grant for \$903,823. The program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act, which was part of the Consolidated Appropriations Act, 2021. The U.S. Small Business Administration (SBA) is responsible for the administration of the program. Due to the existence of certain conditional performance requirements, the grant was recorded as a refundable advance in 2021 and not recognized as revenue. In 2022, the Aviary satisfactorily fulfilled all performance-based conditions, resulting in the refundable advance liability being converted into grant revenue.

In April 2020, the Aviary received a loan for \$820,800 pursuant to the Paycheck Protection Program (PPP), a program implemented by the SBA under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Aviary received full forgiveness of the loan in April 2021, and the entire amount was recognized as a gain on extinguishment of debt during the year ended December 31, 2021.

In January 2021, the Aviary received, a second PPP loan in the amount of \$820,800. The Aviary received full forgiveness of the loan in August 2021. The amount was also recognized as gain on extinguishment of debt for the year ended December 31, 2021, due to the loan being received and forgiven in the same year.