

BIRMINGHAM ZOO, INC.

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

BIRMINGHAM ZOO, INC.
FOR THE YEAR ENDED DECEMBER 31, 2020
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Birmingham Zoo, Inc.

We have audited the accompanying financial statements of the Birmingham Zoo, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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; 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.

Auditors' Responsibility

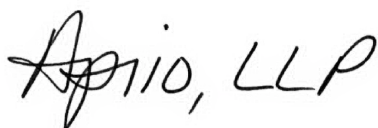
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Birmingham Zoo, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Birmingham, Alabama
May 4, 2021

BIRMINGHAM ZOO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 640,148	\$ 64,402
Cash - restricted	2,668,533	2,062,857
Cash - board designated	20,137	498,584
Certificates of deposit - restricted	111,240	124,722
Accounts receivable - unrestricted	134,240	237,396
Donations pledged - unrestricted	451,019	138,924
Donations pledged - restricted	514,420	908,725
Inventories	3,354	5,739
Prepaid expenses and other assets	100,206	145,312
Interfund receivables (payable) - unrestricted	24,313	190,700
Interfund receivables (payable) - restricted	<u>(24,313)</u>	<u>(190,700)</u>
TOTAL CURRENT ASSETS	<u>4,643,297</u>	<u>4,186,661</u>
PROPERTY AND EQUIPMENT, NET		
Property and equipment, net of accumulated depreciation	36,720,379	38,264,225
Animal collection	<u>1</u>	<u>1</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>36,720,380</u>	<u>38,264,226</u>
OTHER ASSETS		
Right of use asset	40,977	74,481
Donations pledged - restricted	<u>346,063</u>	<u>520,473</u>
TOTAL OTHER ASSETS	<u>387,040</u>	<u>594,954</u>
 TOTAL ASSETS	 <u>\$ 41,750,717</u>	 <u>\$ 43,045,841</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 320,682	\$ 219,621
Accrued liabilities	638,968	753,087
Deferred income	1,208,799	2,350,258
Line of credit	-	60,149
Current portion of right of use liabilities	<u>27,001</u>	<u>35,775</u>
TOTAL CURRENT LIABILITIES	<u>2,195,450</u>	<u>3,418,890</u>
LONG TERM LIABILITIES		
Right of use liabilities, net of current portion	15,839	40,997
Long-term debt, net of current maturities	<u>150,000</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>165,839</u>	<u>40,997</u>
TOTAL LIABILITIES	<u>2,361,289</u>	<u>3,459,887</u>
NET ASSETS		
Without donor restrictions - board designated	20,137	498,584
Without donor restrictions	35,753,348	35,661,293
With donor restrictions	<u>3,615,943</u>	<u>3,426,077</u>
TOTAL NET ASSETS	<u>39,389,428</u>	<u>39,585,954</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 41,750,717</u>	<u>\$ 43,045,841</u>

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenues		
Admissions	\$ 2,157,487	\$ 3,463,531
Membership dues	1,186,350	1,594,974
Rides and attractions	263,544	1,067,762
Concessions commission	300,978	718,299
Program and camp fees	64,911	341,149
Public funding	1,932,395	2,638,338
Contributions	1,825,987	630,233
Sponsorships	255,977	303,042
In-kind donations	6,602	49,095
Special events	166,137	495,418
Rental income	22,709	67,677
Litigation settlement income	-	52,785
Other income	<u>44,160</u>	<u>68,332</u>
	8,227,237	11,490,635
Net assets released from restriction	<u>1,660,816</u>	<u>6,342,730</u>
Total support and revenues	<u>9,888,053</u>	<u>17,833,365</u>
Expenses		
Program services	9,445,813	10,919,181
Supporting services		
Management and general	374,476	465,448
Fundraising	<u>454,156</u>	<u>833,512</u>
Total expenses	<u>10,274,445</u>	<u>12,218,141</u>
TOTAL CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(386,392)</u>	<u>5,615,224</u>
CHANGES IN ASSETS WITH DONOR RESTRICTIONS		
Contributions - restricted	824,682	843,550
Paycheck Protection Program grant	1,026,000	-
In-kind donations - restricted	-	52,733
Net assets released from restriction - satisfied by payments	<u>(1,660,816)</u>	<u>(6,342,730)</u>
TOTAL CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	<u>189,866</u>	<u>(5,446,447)</u>
CHANGE IN NET ASSETS	(196,526)	168,777
NET ASSETS AT BEGINNING OF YEAR	<u>39,585,954</u>	<u>39,417,177</u>
NET ASSETS AT END OF YEAR	<u>\$ 39,389,428</u>	<u>\$ 39,585,954</u>

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (196,526)	\$ 168,777
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,969,786	1,803,793
Loss on disposal of property and equipment	-	5,996
Changes in operating assets and liabilities:		
Accounts receivable	103,156	1,108,749
Donations pledged	256,620	5,195,463
Inventories	2,385	(1,356)
Prepaid expenses and other assets	45,106	(26,838)
Accounts payable	101,061	144,713
Accrued liabilities	(114,119)	203,910
Deferred income	(1,141,459)	326,621
NET CASH FROM OPERATING ACTIVITIES	1,026,010	8,929,828
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(394,244)	(6,626,543)
Proceeds from (purchase of) certificate of deposit	15,086	(100,000)
Reinvestment of earnings on certificates of deposit	(1,604)	(1,845)
NET CASH FROM INVESTING ACTIVITIES	(380,762)	(6,728,388)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (payments) on lines of credit	(60,149)	(1,258,383)
Payments on right of use liabilities	(32,124)	(35,069)
Proceeds from issuance of long-term debt	150,000	-
Payment on long-term debt	-	(1,191,738)
NET CASH FLOWS FROM FINANCING ACTIVITIES	57,727	(2,485,190)
NET CHANGE IN CASH	702,975	(283,750)
Cash, cash equivalents and restricted cash at beginning of year	<u>2,625,843</u>	<u>2,909,593</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 3,328,818</u>	<u>\$ 2,625,843</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the years for interest	<u>\$ 38,521</u>	<u>\$ 87,070</u>

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 3,978,025	\$ 163,301	\$ 256,007	\$ 4,397,333
Administration	-	64,677	-	64,677
Animal acquisitions	10,766	-	-	10,766
Animal exhibits	789	-	-	789
Animal management	437,384	-	-	437,384
Animal tracks	4,308	-	-	4,308
Bank and credit card processing fees	116,853	19,168	-	136,021
Computer	73,020	7,565	53,034	133,619
Conservation	98,693	-	-	98,693
Continuing education/conventions	6,184	579	578	7,341
Depreciation and amortization	1,969,786	-	-	1,969,786
Dues and subscriptions	52,340	302	1,201	53,843
Employee benefits	409,182	29,207	17,589	455,978
Equipment expense	22,725	-	-	22,725
Equipment rental	7,240	2,440	2,440	12,120
Insurance	219,061	3,388	3,388	225,837
Interest	38,521	-	-	38,521
Legal and accounting	-	23,471	-	23,471
Marketing	38,182	-	-	38,182
Miscellaneous	352	200	12,391	12,943
Payroll taxes	282,126	12,539	18,808	313,473
Postage and printing	24,122	1,838	8,523	34,483
Professional consulting	67,110	-	-	67,110
Repairs and maintenance	356,643	-	-	356,643
Security	108,351	-	-	108,351
Signage and graphics	4,201	120	3,573	7,894
Social and special events	112,070	-	59,623	171,693
Summer camps and other programs	52,600	-	-	52,600
Supplies	104,073	9,630	3,312	117,015
Taxes and licenses	29,269	20,715	-	49,984
Travel and meals	4,931	1,824	881	7,636
Uniforms	2,954	-	-	2,954
Utilities	811,539	13,512	12,808	837,859
Volunteers	<u>2,413</u>	<u>-</u>	<u>-</u>	<u>2,413</u>
Total Expenses	<u>\$ 9,445,813</u>	<u>\$ 374,476</u>	<u>\$ 454,156</u>	<u>\$ 10,274,445</u>

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 4,124,776	\$ 174,299	\$ 450,683	\$ 4,749,758
Administration	-	73,159	-	73,159
Animal acquisitions	120,679	-	-	120,679
Animal exhibits	10,837	-	-	10,837
Animal management	510,513	-	-	510,513
Animal tracks	33,245	-	-	33,245
Bank and credit card processing fees	166,410	23,402	-	189,812
Computer	95,922	8,773	65,851	170,546
Conservation	150,376	-	-	150,376
Continuing education/conventions	26,300	2,284	5,198	33,782
Depreciation and amortization	1,803,793	-	-	1,803,793
Dues and subscriptions	24,311	24,950	1,638	50,899
Employee benefits	436,390	40,061	18,712	495,163
Equipment expense	47,030	-	2,776	49,806
Equipment rental	6,684	2,332	2,332	11,348
Insurance	190,661	2,948	2,948	196,557
Interest	87,070	-	-	87,070
Loss on disposal of fixed assets	5,996	-	-	5,996
Legal and accounting	-	26,004	-	26,004
Marketing	161,880	-	14,902	176,782
Miscellaneous	2,219	7,824	9,769	19,812
Payroll taxes	303,935	13,974	31,441	349,350
Postage and printing	45,251	2,650	30,829	78,730
Professional consulting	70,257	-	-	70,257
Repairs and maintenance	516,517	-	-	516,517
Security	80,937	-	-	80,937
Signage and graphics	10,035	-	5,404	15,439
Social and special events	349,488	-	168,300	517,788
Summer camps and other programs	106,921	-	-	106,921
Supplies	195,957	17,897	2,560	216,414
Taxes and licenses	26,095	22,372	125	48,592
Travel and meals	15,133	6,239	4,169	25,541
Uniforms	8,455	-	-	8,455
Utilities	1,179,930	16,280	15,875	1,212,085
Volunteers	5,178	-	-	5,178
	<u>5,178</u>	<u>-</u>	<u>-</u>	<u>5,178</u>
Total Expenses	<u>\$ 10,919,181</u>	<u>\$ 465,448</u>	<u>\$ 833,512</u>	<u>\$ 12,218,141</u>

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Birmingham Zoo, Inc. (BZI), incorporated on May 29, 1999, was established to manage and operate the Birmingham Zoo (Zoo) in the City of Birmingham, Alabama, beginning September 1, 1999. BZI was initially funded by its assumption of all the net assets of the Alabama Zoological Society (AZS), effective September 1, 1999, and by the transfer of all Zoo land and property from the City of Birmingham (City) to BZI. The transfer was executed by an agreement (Agreement) between BZI, the City, and a consortium representing Jefferson County and the cities of Mountain Brook and Homewood (Consortium).

The Agreement represents several separate agreements as follows:

1. A lease assignment and operating agreement, dated September 1, 1999, between the City and BZI that details the various contractual relationships and responsibilities between the two entities. With this agreement, the City leased the Zoo real estate to BZI for a 25-year term (with two 25-year renewable periods) for \$1 per year.
2. An amendment and extension of the above lease, dated July 1, 2009 (Extended Agreement). In connection with the Extended Agreement, the City agreed to contribute \$1,500,000 per year for each of the first 10 years of the term of the amendment, commencing in 2009-2010, to BZI for its operating and capital budgets. For the remaining 15 years of the lease, the City agreed to contribute a minimum of \$500,000 per year to BZI for its operating and capital budgets.
3. An intergovernmental agreement, effective September 1, 1999, to lease adjacent real estate to the Zoo.

BZI is a private, not-for-profit corporation directed by a Board of Directors (Board). The Zoo's purpose is to exhibit animals for the education of visitors, to promote and conduct conservation programs and research studies, and to sponsor educational activities for the community.

Financial Statement Presentation

The financial statements of BZI have been prepared on the accrual basis of accounting.

For financial statement presentation, BZI uses the FASB Accounting Standards Codification (ASC) Topic No. 958 on financial statements of not-for-profit organizations, which generally defines financial statement presentation using a net asset balance approach segregated by donor-defined restriction.

The new reporting format requires resources to be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two classes of net assets are as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, short-term money market accounts, amounts due from banks, and certificates of deposit with an original maturity of three months or less.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Pledges Receivable

Accounts receivable, including client fees, grants, and pledges, are carried at original invoice or pledge amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowances for doubtful accounts by identifying troubled accounts or pledges and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. As of December 31, 2020 and 2019, the allowance for doubtful accounts totaled \$52,114 and \$54,336, respectively.

Property and Equipment

The leasehold interest conveyed to BZI by the City was recorded at historical cost for real property, while personal property was recorded at historical cost less an estimated amount for depreciation at the date of conveyance. Personal property contributed by the AZS was recorded at the net book value at the date of donation.

Property and equipment are recorded at cost, less accumulated depreciation. The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are generally from 3 to 40 years. Assets acquired under capital leases are recorded at the net present value of the minimum lease payments. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Leases

BZI recognizes and measures its leases in accordance with FASB ASC 842, Leases. BZI determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. BZI recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or the BZI's incremental borrowing rate. BZI's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Animal Collection

In accordance with industry practice, BZI's animal collection is recorded at the nominal amount of \$1, as there is no objective basis for establishing value. Additionally, the animal collection has numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Acquisitions are recorded as expenditures of the related operating activity. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the Zoo shares animals with other organizations. Consistent with industry practice, the Zoo does not record any liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Income Taxes

BZI qualifies as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and similar Alabama law and is not subject to income taxes.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BZI has adopted accounting standards relating to uncertainty of income tax positions. As a result of this adoption management assessed whether there were any uncertain tax positions that may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. BZI files Form 990 in the U.S. federal jurisdiction. BZI is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2017.

Revenue and Revenue Recognition

BZI recognizes revenue from admissions, and rides and attractions at the point of sale as all performance obligations are transferred at that time. Concessions commissions are received from the Zoo's third-party vendors which operate these facilities on behalf of the Zoo. These revenues are based on a percentage of revenue generated by sales and are received in arrears on a monthly basis and are recognized upon receipt. Membership dues are deferred and recognized over the membership period, which is typically one year. Program and camp fees and rental revenue is initially deferred once registration for the program or camp has been completed and recognized at the time of the event. Public funding revenues are received from local cities and municipalities and are deferred upon receipt and recognized over a period of time based on their agreements.

BZI recognizes revenues from sponsorships and special events based on the allocation of the fair value of direct benefits to the donors with the remainder to contributions which are included in sponsorship or special events revenue. These direct benefits include tickets for general admission or special events, annual memberships and advertising in the Zoo's magazine. The portion of these revenues determined to be contributions are initially deferred and recognized at the time of the event. The portion of revenues allocated to additional benefits are recognized when the goods and services have been transferred and each performance obligation has been met.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

Management of BZI has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses, the disclosure of contingent assets and liabilities to prepare these financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the objective of improving not-for-profit entity ("NFP") financial statements to better provide useful information to grantors, creditors, donors, and other financial statement users. The ASU, which amends the requirements for financial statements and notes in Accounting Standards Codification ("ASC") Topic 958, Not-for-Profit Entities, changes how NFP's present net assets and changes in net assets in the financial statements, in addition to requiring additional disclosures for expenses by nature and function and for the liquidity and availability of resources. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, the FASB issued comprehensive new revenue recognition guidance, ASU No. 2014-09, "Revenue From Contracts With Customers Topic 606". The guidance requires an entity to follow a five step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. The Zoo adopted the guidance on January 1, 2019 using the modified retrospective method (i.e. applied prospectively effective January 1, 2019), which had no impact on the Company's opening retained earnings. Further, the Zoo determined that there was no material impact to the Company's recognition of revenue upon adoption of Topic 606.

NOTE 2

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents - unrestricted	\$ 640,148	\$ 64,402
Cash - restricted	2,668,533	2,062,857
Cash - board designated	<u>20,137</u>	<u>498,584</u>
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 3,328,818</u>	<u>\$ 2,625,843</u>

NOTE 3

LIQUIDITY AND AVAILABILITY

BZI's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2020 and 2019:

Financial assets available for general expenditures within one year:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 640,148	\$ 64,402
Accounts receivable	134,240	237,396
Donations pledged	<u>451,019</u>	<u>138,924</u>
Total financial assets available for general expenditures within one year	1,225,407	440,722

Financial assets that can be made available via Board resolution:

Cash and cash equivalents - Board designated	<u>20,137</u>	<u>498,584</u>
Total financial assets available for general expenditures within one year including those that can be made available via Board resolution	<u>\$ 1,245,544</u>	<u>\$ 939,306</u>

Liquidity Management

BZI created a Restricted Contingency Reserve Fund (the "Restricted fund") with a goal of accumulating up to three months of operating expenses in order to support the continuing operations of the Organization, address emergency situations, and defray capital project expenses. No money may be expended from the Restricted Fund without a majority vote of approval by the Board of Directors.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

**NOTE 4
RESTRICTED ASSETS**

Restricted assets at December 31, 2020 and 2019, respectively, consist of cash, certificates of deposit, and interfund receivables / (payables) restricted for the following purposes:

	2020	2019
Restricted Cash - Front Entrance	\$ 1,748,157	\$ 1,283,046
Restricted Cash - Miscellaneous Restricted	168,121	133,485
Restricted Cash - Conservation	336,804	404,498
Restricted Cash - William R. Foster Conservation & Education Fund	31,136	28,162
Restricted Cash - Small Capital Projects	384,315	175,370
Restricted Cash - Orangutan Species Survival Plan	-	38,296
	2,668,533	2,062,857
Interfund receivable (payable) - restricted - Front Entrance	595	(289,441)
Interfund receivable (payable) - restricted - Small Capital Projects	(21,940)	145,829
Interfund receivable (payable) - restricted - Miscellaneous	(3,903)	(8,897)
Interfund receivable (payable) - restricted - Iberia	(6)	2,968
Interfund receivable (payable) - restricted - Conservation	941	(41,159)
	(24,313)	(190,700)
Certificates of deposit - restricted - Endowments	111,240	124,722
Donations pledged - restricted	860,483	1,429,198
Total restricted assets	\$ 3,615,943	\$ 3,426,077

**NOTE 5
DONATIONS PLEDGED**

Donations of private support are recorded as revenue upon the receipt of the unconditional promise to give. Donations pledged are expected to be collected as follows:

	2020	2019
Within one year - current	\$ <u>965,439</u>	\$ <u>1,047,649</u>
Within two through five years	\$ 415,031	\$ 598,883
Unamortized discount	(39,354)	(48,796)
Allowance for doubtful accounts	(29,614)	(29,614)
Within two through five years - long-term	\$ 346,063	\$ 520,473

Donations and bequests pledged that are expected to be collected in more than one year have been recorded at net present value, calculated using a discount rate of 4.25% and 3.25% for years ending December 31, 2020 and 2019, respectively.

BIRMINGHAM ZOO, INC.
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**NOTE 6
PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2020 and 2019, is as follows:

	2020	2019
Building and improvements	\$ 34,069,454	\$ 33,848,747
Land and improvements	18,339,338	18,253,287
Machinery and equipment	3,068,622	3,042,101
Computers and accessories	552,026	541,422
Vehicles	322,390	298,063
Furniture and fixtures	783,365	774,665
Zoolights equipment	20,282	20,282
Master plan development	964,351	964,351
Construction in progress	<u>182,455</u>	<u>165,121</u>
	58,302,283	57,908,039
Less accumulated depreciation	<u>(21,581,904)</u>	<u>(19,643,814)</u>
Net property and equipment	<u>\$ 36,720,379</u>	<u>\$ 38,264,225</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$1,969,786 and \$1,803,793, respectively.

**NOTE 7
LINES OF CREDIT**

BZI had two lines of credit with Wells Fargo Bank. One was in the amount of \$3,000,000 bearing interest at the prime rate of the lender plus 2.50% (5.75% and 4.75% at December 31, 2020 and 2019, respectively). The outstanding balance on this line of credit at December 31, 2020 and 2019 was \$- and \$60,149. This line matures in August 2021. The second line of credit was in the amount of \$1,000,000 and bears interest at the prime rate of the lender plus 2.50%. There was no outstanding balance on this line of credit at December 31, 2020 and 2019. This line matures in September 2021. The line of credit agreements contain financial loan covenants which BZI was in compliance with at December 31, 2020 and 2019.

**NOTE 8
LONG-TERM DEBT**

Long-term debt consisted of the following at December 31:

	2020	2019
Economic Injury Disaster Loan due to the Small Business Administration. Interest is fixed at 2.75%. The annual principal payments of \$641 are due monthly, beginning May 2022. This loan matures May 2050.	\$ 150,000	\$ -
Less: current portion of long-term debt	<u>-</u>	<u>-</u>
Long-term debt	<u>\$ 150,000</u>	<u>\$ -</u>

Future maturities of long-term debt at December 31, are as follows:

2021	\$ -
2022	2,326
2023	3,571
2024	3,670
2025	3,772
Thereafter	<u>136,661</u>
	<u>\$ 150,000</u>

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**NOTE 9
NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were as follows for the years ended December 31, 2020 and 2019.

	2020	2019
Specific Purpose		
Front Entrance Project	\$ 2,276,249	\$ 2,292,993
Small Capital Projects	362,375	321,200
Conservation Program	337,743	401,635
William R. Foster Conservation Fund	31,136	28,162
Miscellaneous Restricted Funds	584,786	358,643
Endowment Investment	23,654	23,444
Total Specific Purpose	\$ 3,615,943	\$ 3,426,077

Net assets without donor restrictions for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Undesignated	\$ 35,753,348	\$ 35,661,293
Board designated	20,137	498,584
	\$ 35,773,485	\$ 36,159,877

Net assets released from net assets with donor restrictions are as follows:

	2020	2019
Satisfaction of purpose restrictions	\$ 1,660,816	\$ 6,342,730

**NOTE 10
PENSION PLAN**

BZI has a 401(k) defined contribution retirement plan that covers substantially all of its full-time employees. A participant may contribute to the plan up to the IRS limitations. BZI may make discretionary matching contributions to the plan, as directed by the Board. For the years ended December 31, 2020 and 2019, BZI did not make matching contributions to the Plan.

**NOTE 11
FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance enables the reader of the financial statements to assess the inputs used to develop fair value measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). There are three general valuation techniques that may be used to measure fair value, as described below:

Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is

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**NOTE 11
 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

discounted at an appropriate market interest rate.

FASB ASC 820 requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Inputs consist of unadjusted quoted prices for identical assets in active markets that the plan has the ability to access.

Level 2 - Inputs consist of 1) quoted prices for similar assets in active markets, 2) quoted prices for identical or similar assets in inactive markets, 3) inputs other than quoted prices that are observable, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term.

Level 3 - Inputs consist of unobservable inputs where there is little or no market activity, and the reporting entity makes estimates and assumptions related to the pricing of the asset including assumptions regarding risk.

The following methods and assumptions were used by BZI in estimating the fair value of its financial instruments:

Cash and Cash Equivalents - Fair value equals carrying value of such assets due to short-term maturities of these instruments.

Pledges Receivable - Fair value equals the discounted present value using BZI's incremental borrowing rate.

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. Although BZI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the valuation techniques used by BZI during the year ended December 31, 2020.

**NOTE 12
 COMMITMENTS AND CONTINGENCIES**

Leases

BZI recognizes and measures its leases in accordance with FASB ASC 842, Leases. BZI has an obligation as a lessee for multiple leases related to an office trailer and other equipment with initial noncancellable terms in excess of one year. BZI classified three of these leases as financing leases and one as an operating lease. These leases contain renewal options. Because BZI is not reasonably certain to exercise the renewal option, the optional period is not included in determining the lease term, and associated payments under the renewal option are excluded from lease payments. BZI's lease does not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under these lease contracts contain fixed payments.

The components of the leases for the year ending December 31, 2020 are as follows:

Lease cost	2020	2019
Amortization of right of use assets	\$ 31,696	\$ 33,902
Interest on lease liabilities	1,729	2,560
Operating lease cost	1,920	1,600
Total lease cost	\$ 35,345	\$ 38,062

Other information:

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from finance leases	\$ 1,729	\$ 2,560
Operating cash flows from operating leases	1,920	1,600
Financing cash flows from finance leases	32,124	35,069

BIRMINGHAM ZOO, INC.
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**NOTE 12
COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Weighted-average remaining lease term - finance leases	1.55 years	2.60 years
Weighted-average remaining lease term - operating leases	1.40 years	2.40 years
Weighted-average discount rate - finance leases	3.25%	3.25%
Weighted-average discount rate - operating leases	3.25%	3.25%

Maturities of the lease liabilities under the noncancellable leases as of December 31, 2020 are as follows:

	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
2021	\$ 25,998	\$ 1,920	\$ 27,918
2022	<u>15,165</u>	<u>800</u>	<u>15,965</u>
Total undiscounted lease payments	41,163	2,720	43,883
Less: imputed interest	<u>(985)</u>	<u>(58)</u>	<u>(1,043)</u>
Total lease liability	<u>\$ 40,178</u>	<u>\$ 2,662</u>	<u>\$ 42,840</u>

**NOTE 13
CONCENTRATIONS**

BZI maintains its cash and cash equivalents in financial institutions. The amount of accounting loss due to credit risk the Zoo would incur if the financial depository institution failed would be the cash deposits in excess of the \$250,000 federal deposit insurance coverage limits. The Zoo has not experienced any losses in these accounts. The Zoo believes it is not exposed to any significant risks on cash.

**NOTE 14
LEASEHOLD INTEREST**

The City, directly or indirectly by the Park Board, has conveyed to BZI a leasehold interest in all real and personal property of the Zoo (see Note 1) for the purpose of operating, maintaining, or improving the Zoo. Title to the leasehold properties remains with the City or the Park Board, but is subject to BZI's rights as a lessee. BZI has the right to make additions, deletions, and modifications and changes to the properties as required for the proper operation and maintenance of the Zoo. BZI has the right to pledge the City leasehold properties as security for obtaining financing, as needed for purposes of operation and development of the Zoo.

Also, BZI may acquire, sell, borrow, loan, and transfer or convey animals as considered reasonable and proper, in the circumstances, for the operation, maintenance and development of the Zoo. All property additions and improvements are included in the leasehold, with title remaining with the City or Park Board. Notwithstanding the City's or Park Board's title to the properties, all the real and personal property included in the leasehold interest are recorded in the financial statements to reflect BZI's accountability for the properties.

**NOTE 15
RELATED PARTY TRANSACTIONS**

BZI receives donations from employees and entities in which certain board members serve in some capacity. These donations represent \$64,418 and \$337,343 in pledge receivables at December 31, 2020 and 2019, respectively.

**NOTE 16
CONTRIBUTED MATERIALS AND SERVICES**

BZI records in-kind contributions in accordance with the Financial Accounting Standards Board Codification section of Revenue Recognition for Not-for-Profit Entities. This pronouncement requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in accounts receivable and additions to property and equipment.

BZI receives a significant amount of contributed time (10,000 and 31,755 volunteer hours in 2020 and 2019, respectively) from volunteers, members and officers of the Board which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

BIRMINGHAM ZOO, INC.
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NOTE 17
PAYCHECK PROTECTION PROGRAM GRANT

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Act (the "CARES Act") was enacted. The CARES Act provided relief to small businesses through the creation of the Paycheck Protection Program ("PPP"). On April 10, 2020, the Zoo obtained a PPP loan. The loan amount of \$1,026,000 was funded on April 10, 2020, all of which may be forgivable if certain criteria are met. The loan has a fixed interest rate of 1% and matures on April 10, 2022. The Zoo has substantially met all of the criteria for forgiveness and has recognized this loan as a government grant under ASC 958-605, *Not for Profit Entities: Revenue Recognition* and has included the \$1,026,000 as restricted grant revenue during 2020 in the accompanying statement of activities.

NOTE 18
UNCERTAINTY RELATED TO CURRENT ECONOMIC CONDITIONS

The Company's ongoing operations may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events affect the Corporation's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

NOTE 19
EVALUATION OF SUBSEQUENT EVENTS

The Zoo has evaluated subsequent events through May 4, 2021, which is the date on which the financial statements were available to be issued and concluded no events or transactions occurred during the period requiring additional recognition or disclosure, except as noted below.

On February 10, 2021, the Zoo received a second round Payroll Protection Program loan ("PPP") with the Small Business Administration totaling \$1,026,092, all of which may be forgivable if certain criteria are met. The loan has a fixed rate of 1% and matures on February 10, 2026.