

BIRMINGHAM ZOO, INC.

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

BIRMINGHAM ZOO, INC.
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Birmingham Zoo, Inc.

Report on the Audit of the Financial Statements

Opinion

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

Basis for Opinion

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

Responsibilities of Management for the 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 Birmingham Zoo, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

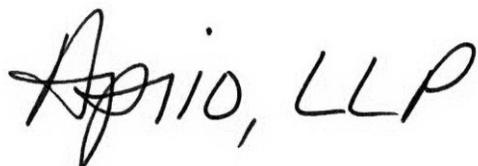
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022, on our consideration of the Birmingham Zoo, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Birmingham Zoo, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Birmingham Zoo, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Aptio, LLP". The signature is written in a cursive, flowing style.

Birmingham, Alabama
May 2, 2022

BIRMINGHAM ZOO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 1,667,900	\$ 640,148
Cash - restricted	6,843,502	2,668,533
Cash - board designated	1,020,075	20,137
Certificates of deposit - restricted	162,279	111,240
Accounts receivable - unrestricted	168,291	134,240
Accounts receivable - employee retention credit	620,314	-
Donations pledged - unrestricted	115,130	451,019
Donations pledged - restricted	689,663	514,420
Inventories	3,226	3,354
Prepaid expenses and other assets	195,667	100,206
Interfund receivables (payable) - unrestricted	81,137	24,313
Interfund receivables (payable) - restricted	<u>(81,137)</u>	<u>(24,313)</u>
TOTAL CURRENT ASSETS	<u>11,486,047</u>	<u>4,643,297</u>
PROPERTY AND EQUIPMENT, NET		
Property and equipment, net of accumulated depreciation	35,560,407	36,720,379
Animal collection	<u>1</u>	<u>1</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>35,560,408</u>	<u>36,720,380</u>
OTHER ASSETS		
Right of use asset	137,055	40,977
Certificates of deposit - restricted	103,515	-
Donations pledged - restricted	<u>607,923</u>	<u>346,063</u>
TOTAL OTHER ASSETS	<u>848,493</u>	<u>387,040</u>
TOTAL ASSETS	<u>\$ 47,894,948</u>	<u>\$ 41,750,717</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 114,603	\$ 320,682
Accrued liabilities	745,199	638,968
Deferred income	1,486,121	1,208,799
Current portion of right of use liabilities	<u>41,776</u>	<u>27,001</u>
TOTAL CURRENT LIABILITIES	<u>2,387,699</u>	<u>2,195,450</u>
LONG TERM LIABILITIES		
Right of use liabilities, net of current portion	97,422	15,839
Long-term debt, net of current maturities	<u>-</u>	<u>150,000</u>
TOTAL LONG-TERM LIABILITIES	<u>97,422</u>	<u>165,839</u>
TOTAL LIABILITIES	<u>2,485,121</u>	<u>2,361,289</u>
NET ASSETS		
Without donor restrictions - board designated	1,020,075	20,137
Without donor restrictions	36,064,007	35,753,348
With donor restrictions	<u>8,325,745</u>	<u>3,615,943</u>
TOTAL NET ASSETS	<u>45,409,827</u>	<u>39,389,428</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 47,894,948</u>	<u>\$ 41,750,717</u>

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

BIRMINGHAM ZOO, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenues		
Admissions	\$ 3,504,732	\$ 1,569,929
Membership dues	1,529,397	1,186,350
Rides and attractions	765,181	256,741
Concessions commission	816,054	307,781
Program and camp fees	181,225	64,911
Public funding	1,095,000	1,932,395
Contributions	1,038,373	1,825,987
Sponsorships	172,708	255,977
In-kind donations	24,110	6,602
Special events	1,002,662	753,695
Rental income	85,212	22,709
Employee retention credit	620,314	-
Other income	<u>37,397</u>	<u>44,160</u>
	10,872,365	8,227,237
Net assets released from restriction	<u>1,300,894</u>	<u>1,660,816</u>
Total support and revenues	<u>12,173,259</u>	<u>9,888,053</u>
Expenses		
Program services	9,822,066	9,445,813
Supporting services		
Management and general	402,316	374,476
Fundraising	<u>638,280</u>	<u>454,156</u>
Total expenses	<u>10,862,662</u>	<u>10,274,445</u>
TOTAL CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,310,597</u>	<u>(386,392)</u>
CHANGES IN ASSETS WITH DONOR RESTRICTIONS		
Contributions - restricted	1,036,427	824,682
Shuttered Venue Operators Grant	3,948,177	-
Paycheck Protection Program Grant	1,026,092	1,026,000
Net assets released from restriction - satisfied by payments	<u>(1,300,894)</u>	<u>(1,660,816)</u>
TOTAL CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	<u>4,709,802</u>	<u>189,866</u>
CHANGE IN NET ASSETS	6,020,399	(196,526)
NET ASSETS AT BEGINNING OF YEAR	<u>39,389,428</u>	<u>39,585,954</u>
NET ASSETS AT END OF YEAR	<u>\$ 45,409,827</u>	<u>\$ 39,389,428</u>

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

BIRMINGHAM ZOO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,020,399	\$ (196,526)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	2,009,462	1,969,786
Paycheck Protection Program loan forgiveness	(1,026,092)	(1,026,000)
Change in allowance for doubtful accounts	(25,424)	4,000
Changes in operating assets and liabilities:		
Accounts receivable	(628,941)	99,156
Donations pledged	(101,214)	256,620
Inventories	128	2,385
Prepaid expenses and other assets	(95,461)	45,106
Accounts payable	(206,077)	101,061
Accrued liabilities	106,231	(114,119)
Deferred income	277,322	(1,141,459)
<u>NET CASH FROM OPERATING ACTIVITIES</u>	<u>6,330,333</u>	<u>10</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(810,239)	(394,244)
Proceeds from (purchase of) certificate of deposit	(154,038)	15,086
Reinvestment of earnings on certificates of deposit	(516)	(1,604)
<u>NET CASH FROM INVESTING ACTIVITIES</u>	<u>(964,793)</u>	<u>(380,762)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (payments) on lines of credit	-	(60,149)
Payments on right of use liabilities	(38,973)	(32,124)
Proceeds from issuance of long-term debt	-	150,000
Proceeds from Paycheck Protection Program note	1,026,092	1,026,000
Payment on long-term debt	(150,000)	-
<u>NET CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>837,119</u>	<u>1,083,727</u>
<u>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>	<u>6,202,659</u>	<u>702,975</u>
Cash, cash equivalents and restricted cash at beginning of year	<u>3,328,818</u>	<u>2,625,843</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 9,531,477</u>	<u>\$ 3,328,818</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the years for interest	<u>\$ 3,498</u>	<u>\$ 38,521</u>
Acquisition of right of use assets / liabilities	<u>\$ 135,332</u>	<u>\$ -</u>

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

BIRMINGHAM ZOO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 3,904,375	\$ 179,593	\$ 400,333	\$ 4,484,301
Administration	-	39,754	-	39,754
Animal acquisitions	20,871	-	-	20,871
Animal exhibits	348	-	-	348
Animal management	477,865	-	-	477,865
Animal tracks	3,200	-	-	3,200
Recovery of bad debts	-	-	(25,424)	(25,424)
Bank and credit card processing fees	202,024	16,026	-	218,050
Computer	79,121	8,000	60,673	147,794
Conservation	122,182	-	-	122,182
Continuing education/conventions	13,041	1,157	2,156	16,354
Depreciation and amortization	2,009,462	-	-	2,009,462
Dues and subscriptions	51,483	500	1,757	53,740
Employee benefits	420,417	28,416	18,017	466,850
Equipment expense	34,016	-	-	34,016
Equipment rental	3,354	1,423	1,423	6,200
Insurance	244,741	3,785	3,785	252,311
Interest	3,498	-	-	3,498
Legal and accounting	-	63,400	-	63,400
Marketing	37,512	-	-	37,512
Miscellaneous	-	1,009	8,610	9,619
Payroll taxes	288,830	13,286	29,615	331,731
Postage and printing	21,350	2,397	13,752	37,499
Professional consulting	66,851	-	-	66,851
Repairs and maintenance	495,104	-	-	495,104
Security	151,476	-	-	151,476
Signage and graphics	5,524	193	3,409	9,126
Social and special events	160,963	-	104,482	265,445
Summer camps and other programs	51,677	-	-	51,677
Supplies	153,658	7,709	3,367	164,734
Taxes and licenses	23,523	22,146	-	45,669
Travel and meals	1,183	680	215	2,078
Uniforms	8,611	-	-	8,611
Utilities	764,950	12,842	12,110	789,902
Volunteers	856	-	-	856
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 9,822,066</u>	<u>\$ 402,316</u>	<u>\$ 638,280</u>	<u>\$ 10,862,662</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
Bad debt expense	-	-	4,000	4,000
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	8,391	8,943
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	2,413	-	-	2,413
	<u> </u>	<u> </u>	<u> </u>	<u> </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.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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, 2021 and 2020, the allowance for doubtful accounts totaled \$26,689 and \$52,114, 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.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2018.

Revenue and Revenue Recognition

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 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.

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 on a straight-line basis 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.

BIRMINGHAM ZOO, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

**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.

	2021	2020
Cash and cash equivalents - unrestricted	\$ 1,667,900	\$ 640,148
Cash - restricted	6,843,502	2,668,533
Cash - board designated	1,020,075	20,137
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	\$ 9,531,477	\$ 3,328,818

**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, 2021 and 2020:

	2021	2020
Financial assets available for general expenditures within one year:		
Cash and cash equivalents	\$ 1,667,900	\$ 640,148
Accounts receivable	168,291	134,240
Accounts receivable - employee retention credit	620,314	-
Donations pledged	115,130	451,019
Total financial assets available for general expenditures within one year	2,571,635	1,225,407
Financial assets that can be made available via Board resolution:		
Cash - Board designated	1,020,075	20,137
Total financial assets available for general expenditures within one year including those that can be made available via Board resolution	\$ 3,591,710	\$ 1,245,544

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. The Restricted Fund is classified as "Cash - board designated" on the accompanying balance sheets.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 4
RESTRICTED ASSETS**

Restricted assets at December 31, 2021 and 2020, respectively, consist of cash, certificates of deposit, and interfund receivables / (payables) restricted for the following purposes:

	2021	2020
Restricted Cash - Front Entrance	\$ 1,756,664	\$ 1,748,157
Restricted Cash - Miscellaneous Restricted	231,003	168,121
Restricted Cash - Conservation	235,826	336,804
Restricted Cash - William R. Foster Conservation & Education Fund	17,710	31,136
Restricted Cash - Small Capital Projects	558,830	384,315
Restricted Cash - Operating Reserves	4,043,469	-
	6,843,502	2,668,533
Interfund receivable (payable) - restricted - Front Entrance	(43,320)	595
Interfund receivable (payable) - restricted - Small Capital Projects	95,948	(21,940)
Interfund receivable (payable) - restricted - Miscellaneous	(56,785)	(3,903)
Interfund receivable (payable) - restricted - Iberia	-	(6)
Interfund receivable (payable) - restricted - Conservation	(76,980)	941
	(81,137)	(24,313)
Certificates of deposit - restricted - Endowments	111,756	111,240
Certificates of deposit - restricted - Conservation	154,038	-
Donations pledged - restricted	1,297,586	860,483
Total restricted assets	\$ 8,325,745	\$ 3,615,943

**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:

	2021	2020
Within one year - current	\$ 804,793	\$ 965,439
Within two through five years	\$ 689,285	\$ 415,031
Unamortized discount	(77,173)	(39,354)
Allowance for doubtful accounts	(4,189)	(29,614)
Within two through five years - long-term	\$ 607,923	\$ 346,063

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% for years ending December 31, 2021 and 2020.

BIRMINGHAM ZOO, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

**NOTE 6
 PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2021 and 2020, is as follows:

	2021	2020
Building and improvements	\$ 34,101,102	\$ 34,069,454
Land and improvements	18,339,338	18,339,338
Machinery and equipment	3,068,622	3,068,622
Computers and accessories	552,026	552,026
Vehicles	332,390	322,390
Furniture and fixtures	784,865	783,365
Zoolights equipment	20,282	20,282
Master plan development	964,351	964,351
Construction in progress	949,545	182,455
	59,112,521	58,302,283
Less accumulated depreciation	(23,552,114)	(21,581,904)
Net property and equipment	\$ 35,560,407	\$ 36,720,379

Depreciation expense for the years ended December 31, 2021 and 2020, totaled \$2,009,462 and \$1,969,786, respectively.

**NOTE 7
 LINES OF CREDIT**

For the year ended December 31, 2020, 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%. The outstanding balance on this line of credit at December 31, 2020, was \$-. This line matured 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. This line matured in September 2021.

For the year ended December 31, 2021, BZI had one line of credit with Iberia Bank in the amount of \$3,000,000, bearing interest at the prime rate of the lender (3.25% in 2021). The outstanding balance on this line of credit at December 31, 2020,555 was \$-. This line matures in September 2022.

The line of credit agreements contain financial loan covenants which BZI was in compliance with at December 31, 2021 and 2020.

**NOTE 8
 LONG-TERM DEBT**

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

	2021	2020
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 and maturing in May 2050. This loan was paid in full during 2021.	\$ -	\$ 150,000
Less: current portion of long-term debt	-	-
Long-term debt	\$ -	\$ 150,000

BIRMINGHAM ZOO, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

**NOTE 9
 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were as follows for the years ended December 31, 2021 and 2020.

	2021	2020
Specific Purpose		
Front Entrance Project	\$ 2,064,310	\$ 2,276,249
Small Capital Projects	654,778	362,375
Conservation Program	312,884	337,743
William R. Foster Conservation Fund	17,710	31,136
Miscellaneous Restricted Funds	1,208,928	584,786
Endowment Investment	23,666	23,654
Operating Reserves	4,043,469	-
Total Specific Purpose	\$ 8,325,745	\$ 3,615,943

Net assets without donor restrictions for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Undesignated	\$ 36,064,007	\$ 35,753,348
Board designated	1,020,075	20,137
	\$ 37,084,082	\$ 35,773,485

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

	2021	2020
Satisfaction of purpose restrictions	\$ 1,300,894	\$ 1,660,816

**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, 2021 and 2020, 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;

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11
FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 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, 2021.

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 six 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.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 12
COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The components of the leases for the year ending December 31, 2021, are as follows:

Lease cost	2021	2020
Amortization of right of use assets	\$ 39,254	\$ 31,696
Interest on lease liabilities	3,498	1,729
Operating lease cost	1,920	1,920
Total lease cost	\$ 44,672	\$ 35,345
Other information:		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 3,498	\$ 1,729
Operating cash flows from operating leases	1,920	1,920
Financing cash flows from finance leases	25,135	32,124
Weighted-average remaining lease term - finance leases	4.17 years	1.55 years
Weighted-average remaining lease term - operating leases	0.30 years	1.40 years
Weighted-average discount rate - finance leases	3.79%	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, 2021, are as follows:

	Finance	Operating	Total
2022	\$ 45,225	\$ 800	\$ 46,025
2023	30,059	-	30,059
2024	30,059	-	30,059
2025	30,059	-	30,059
2026	13,586	-	13,586
Total undiscounted lease payments	148,988	800	149,788
Less: imputed interest	(10,586)	(4)	(10,590)
Total lease liability	\$ 138,402	\$ 796	\$ 139,198

**NOTE 13
CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

BZI maintains its cash and cash equivalents at several financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. From time to time, BZI's cash and cash equivalents balance exceeds such limits. BZI has not experienced any losses in such accounts. BZI believes it is not exposed to any significant risks on cash and cash equivalents.

**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 reons, deletions, and modifications and changes to the properties as required for the proper operation and maintains with the City or the Park Board, but is subject to BZI's rights as a lessee. BZI has the right to make additienance 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.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 14
LEASEHOLD INTEREST (CONTINUED)**

Also, BZI may acquire, sell, borrow, load off/on, and transfer or convey animals as considered reasonable and proper, in the circumstances, 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 \$7,531 and \$64,418 in pledge receivables at December 31, 2021 and 2020, 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. In-kind donations are recognized at fair market value at the time of donation.

BZI receives a significant amount of contributed time (18,000 and 10,000 volunteer hours in 2021 and 2020, 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.

**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. As of December 31, 2020, the Zoo had substantially met all of the criteria for forgiveness, recognized this loan as a government grant under ASC 958-605, *Not for Profit Entities: Revenue Recognition*, and included the \$1,026,000 as restricted grant revenue during 2020 in the accompanying statement of activities. On July 7, 2021, the U.S. Small Business Administration forgave this loan in its entirety.

On February 10, 2021, the Zoo obtained a second PPP loan. The loan amount of \$1,026,092 was funded on February 10, 2021, all of which may be forgivable if certain criteria are met. The loan has a fixed interest rate of 1% and matures on February 10, 2026. The Zoo was granted forgiveness for this loan by the U.S. Small Business Administration on September 30, 2021, and has recognized this loan as a government grant under ASC 958-605, *Not for Profit Entities: Revenue Recognition*. The \$1,026,092 was included as restricted grant revenue during 2021 in the accompanying statement of activities.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 18
GOVERNMENT GRANTS AND CREDITS

Shuttered Venue Operator's Grant

During 2021, the Zoo applied and received grants from the U.S. Small Business Administration through its Shuttered Venue Operator's Grant program ("SVOG"). The program provides grants that are restricted as to use for certain allowable expenditures by the recipient, which include payroll, utilities and other operating expenses. During the year ended December 31, 2021, the Zoo received and expended \$3,948,177 in SVOG grants in accordance with the grant requirements. This revenue is included in restricted revenues on the 2021 accompanying statement of activities.

Employee Retention Credit

On December 27, 2020, the Consolidated Appropriations Act, 2021 ("CAA") was signed in to law in order to provide additional COVID-19 related relief. One factor the CAA affected was the ability for companies to retroactively obtain the employee retention tax credit ("ERC"). During 2020, if a company's business was fully or partially suspended by a COVID-19 government order or if gross receipts were less than 50% compared to the same quarter in 2019, the company may be entitled to retroactive benefits. The eligibility requirement during 2021 includes gross receipts decline of 20% compared to the same quarter in 2019. The Zoo determined that it has eligibility and applied for a retroactive application of the ERC for 2020 in the amount of \$620,314. The total income of \$620,314 is shown on the statement of activity and a receivable of \$620,314 is shown on the statement of financial position at December 31, 2021.

NOTE 19
UNCERTAINTY RELATED TO CURRENT ECONOMIC CONDITIONS

The Zoo'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 Zoo's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

NOTE 20
RECLASSIFICATION

Certain items in the 2020 financial statement presentation have been reclassified to conform to the 2021 presentation. Such reclassifications have no effect on previously reported net income or net assets.

NOTE 21
EVALUATION OF SUBSEQUENT EVENTS

The Zoo has evaluated subsequent events through May 2, 2022, 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.

SUPPLEMENTAL INFORMATION

BIRMINGHAM ZOO, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 DECEMBER 31, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Regulation</u>	<u>Federal Expenditures</u>
U.S. Small Business Administration			
Shuttered Venue Operator's Grant	59.075	Major	\$ <u>3,948,177</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Birmingham Zoo, Inc. and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Birmingham Zoo, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: Shuttered Venue Operator's Grant

The Birmingham Zoo, Inc.'s Shuttered Venue Operator's Grant was determined to be a Type A Federal Financial Assistance Program based on the total amounts as of and for the year ended December 31, 2021, and was considered a major program under the criteria of Uniform Guidance.

BIRMINGHAM ZOO, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Section I-Summary of Auditors' Results

Financial Statements

Report on the Financial Statements and on the Supplementary Schedule of Federal Awards:

Opinion on audited financial statements:	Unmodified
Going concern issue	No

Report on Supporting Information:

Opinion on supporting information	Unmodified
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards:

Instances of fraud, non-compliance, or abuse of law, regulations, contracts or grants that have a material effect on the financial statements	No
Significant deficiencies or material weaknesses indicator	No

Federal Awards

Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance:

Opinion on compliance with laws, regulations, and contracts applicable to each major program	Unmodified
Significant deficiencies or material weaknesses in internal controls over compliance indicator	No

Schedule of Findings and Questioned Costs

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of OMB Uniform Guidance	No
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Low-risk auditee indicator	No

Identification of Major Programs

U.S. Small Business Administration	<u>CFDA Number</u>
Shuttered Venue Operator's Grant	59.075

BIRMINGHAM ZOO, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

There were no findings from the prior audit report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Birmingham Zoo, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Birmingham Zoo, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Birmingham Zoo, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Birmingham Zoo, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Birmingham Zoo, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

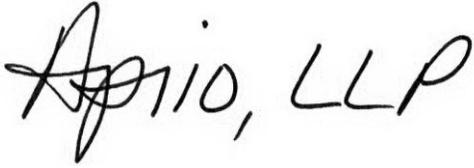
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Birmingham Zoo, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, flowing style.

Birmingham, Alabama
May 2, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Birmingham Zoo, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Birmingham Zoo, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Birmingham Zoo, Inc.'s major federal programs for the year ended December 31, 2021. The Birmingham Zoo, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Birmingham Zoo, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Birmingham Zoo, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Birmingham Zoo, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Birmingham Zoo, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Birmingham Zoo, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Birmingham Zoo, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Birmingham Zoo, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Birmingham Zoo, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Birmingham Zoo, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

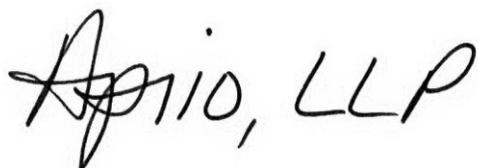
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, stylized font.

Birmingham, Alabama
May 2, 2022