

BIRMINGHAM ZOO, INC.

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

BIRMINGHAM ZOO, INC.
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
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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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Birmingham Zoo, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

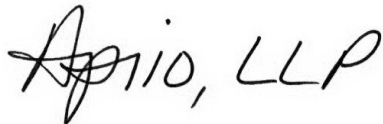
Auditors' Responsibilities for the Audit of the Financial Statements

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 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, 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.

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

Birmingham, Alabama
May 24, 2023

BIRMINGHAM ZOO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 4,952,454	\$ 1,667,900
Cash - restricted	3,224,725	6,843,502
Cash - board designated	1,031,041	1,020,075
Certificates of deposit - restricted	111,914	162,279
Accounts receivable - unrestricted, net	253,415	168,291
Accounts receivable - employee retention credit	326,198	620,314
Donations pledged - unrestricted	280,145	115,130
Donations pledged - restricted	843,146	689,663
Inventories	4,979	3,226
Prepaid expenses and other assets	256,359	195,667
Interfund receivables (payable) - unrestricted	(213,084)	81,137
Interfund receivables (payable) - restricted	<u>213,084</u>	<u>(81,137)</u>
TOTAL CURRENT ASSETS	<u>11,284,376</u>	<u>11,486,047</u>
PROPERTY AND EQUIPMENT, NET		
Property and equipment, net of accumulated depreciation	35,652,066	35,560,407
Animal collection	<u>1</u>	<u>1</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>35,652,067</u>	<u>35,560,408</u>
OTHER ASSETS		
Right of use asset	94,704	137,055
Certificates of deposit - restricted	-	103,515
Donations pledged - restricted	<u>1,168,040</u>	<u>607,923</u>
TOTAL OTHER ASSETS	<u>1,262,744</u>	<u>848,493</u>
 TOTAL ASSETS	 <u>\$ 48,199,187</u>	 <u>\$ 47,894,948</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 402,957	\$ 114,603
Accrued liabilities	637,636	745,199
Deferred income	1,976,982	1,486,121
Current portion of right of use liabilities	<u>26,931</u>	<u>41,776</u>
TOTAL CURRENT LIABILITIES	<u>3,044,506</u>	<u>2,387,699</u>
LONG TERM LIABILITIES		
Right of use liabilities, net of current portion	<u>70,491</u>	<u>97,422</u>
TOTAL LIABILITIES	<u>3,114,997</u>	<u>2,485,121</u>
NET ASSETS		
Without donor restrictions - board designated	1,031,041	1,020,075
Without donor restrictions	38,492,240	36,064,007
With donor restrictions	<u>5,560,909</u>	<u>8,325,745</u>
TOTAL NET ASSETS	<u>45,084,190</u>	<u>45,409,827</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 48,199,187</u>	 <u>\$ 47,894,948</u>

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

BIRMINGHAM ZOO, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenues		
Admissions	\$ 3,629,663	\$ 3,504,732
Membership dues	1,594,589	1,529,397
Rides and attractions	686,521	765,181
Concessions commission	881,109	816,054
Program and camp fees	222,348	181,225
Public funding	1,032,500	1,095,000
Contributions	969,972	1,038,373
Sponsorships	182,647	172,708
In-kind donations	63,878	24,110
Special events	642,959	1,002,662
Rental income	94,343	85,212
Employee retention credit	-	620,314
Other income	<u>168,436</u>	<u>37,397</u>
	10,168,965	10,872,365
Net assets released from restriction	<u>4,765,150</u>	<u>1,300,894</u>
Total support and revenues	<u>14,934,115</u>	<u>12,173,259</u>
Expenses		
Program services	11,300,698	9,822,066
Supporting services		
Management and general	412,756	402,316
Fundraising	<u>781,462</u>	<u>638,280</u>
Total expenses	<u>12,494,916</u>	<u>10,862,662</u>
TOTAL CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,439,199</u>	<u>1,310,597</u>
CHANGES IN ASSETS WITH DONOR RESTRICTIONS		
Contributions - restricted	2,000,314	1,036,427
Shuttered Venue Operators Grant	-	3,948,177
Paycheck Protection Program Grant	-	1,026,092
Net assets released from restriction - satisfied by payments	<u>(4,765,150)</u>	<u>(1,300,894)</u>
TOTAL CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(2,764,836)</u>	<u>4,709,802</u>
CHANGE IN NET ASSETS	(325,637)	6,020,399
NET ASSETS AT BEGINNING OF YEAR	<u>45,409,827</u>	<u>39,389,428</u>
NET ASSETS AT END OF YEAR	<u>\$ 45,084,190</u>	<u>\$ 45,409,827</u>

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

BIRMINGHAM ZOO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (325,637)	\$ 6,020,399
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,097,419	2,009,462
Paycheck Protection Program loan forgiveness	-	(1,026,092)
Gain on property and equipment disposal	(60,685)	-
Change in allowance for doubtful accounts	23	(25,424)
Changes in operating assets and liabilities:		
Accounts receivable	208,969	(628,941)
Donations pledged	(878,615)	(101,214)
Inventories	(1,753)	128
Prepaid expenses and other assets	(60,692)	(95,461)
Accounts payable	288,354	(206,077)
Accrued liabilities	(107,563)	106,231
Deferred income	<u>490,861</u>	<u>277,322</u>
 NET CASH FROM OPERATING ACTIVITIES	 <u>1,650,681</u>	 <u>6,330,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,164,042)	(810,239)
Proceeds from sale of property and equipment	78,000	-
Proceeds from (purchase of) certificate of deposit	154,225	(154,038)
Reinvestment of earnings on certificates of deposit	<u>(345)</u>	<u>(516)</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(1,932,162)</u>	 <u>(964,793)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on right of use liabilities	(41,776)	(38,973)
Proceeds from Paycheck Protection Program note	-	1,026,092
Payment on long-term debt	<u>-</u>	<u>(150,000)</u>
 NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	 <u>(41,776)</u>	 <u>837,119</u>
 NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	 <u>(323,257)</u>	 <u>6,202,659</u>
Cash, cash equivalents and restricted cash at beginning of year	<u>9,531,477</u>	<u>3,328,818</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 9,208,220</u>	<u>\$ 9,531,477</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the years for interest	<u>\$ 4,490</u>	<u>\$ 3,498</u>
Acquisition of right of use assets / liabilities	<u>\$ -</u>	<u>\$ 135,332</u>

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

BIRMINGHAM ZOO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 4,421,791	\$ 212,990	\$ 411,528	\$ 5,046,309
Administration	-	51,590	-	51,590
Animal acquisitions	29,916	-	-	29,916
Animal exhibits	43,619	-	-	43,619
Animal management	623,533	-	-	623,533
Animal tracks	1,500	-	-	1,500
Bad debt expense	-	-	23	23
Bank and credit card processing fees	178,328	13,497	-	191,825
Computer	129,068	9,621	67,067	205,756
Conservation	107,172	-	-	107,172
Continuing education/conventions	26,473	2,914	3,779	33,166
Depreciation	2,097,419	-	-	2,097,419
Dues and subscriptions	58,128	-	3,088	61,216
Employee benefits	374,655	30,382	16,085	421,122
Equipment expense	53,902	735	-	54,637
Equipment rental	2,326	-	-	2,326
Insurance	286,737	4,434	4,434	295,605
Interest	4,490	-	-	4,490
Legal and accounting	-	25,125	-	25,125
Marketing	5,509	-	-	5,509
Miscellaneous	12	7,405	11,585	19,002
Payroll taxes	321,696	15,496	29,940	367,132
Postage and printing	24,405	1,757	21,417	47,579
Professional consulting	283,873	-	-	283,873
Repairs and maintenance	570,560	-	-	570,560
Security	174,120	-	-	174,120
Signage and graphics	3,542	-	6,428	9,970
Social and special events	161,463	4,839	184,318	350,620
Summer camps and other programs	71,287	-	-	71,287
Supplies	199,283	10,860	2,599	212,742
Taxes and licenses	116,441	-	-	116,441
Travel and meals	25,941	7,360	5,933	39,234
Uniforms	8,969	-	-	8,969
Utilities	890,621	13,751	13,238	917,610
Volunteers	3,919	-	-	3,919
Total Expenses	<u>\$ 11,300,698</u>	<u>\$ 412,756</u>	<u>\$ 781,462</u>	<u>\$ 12,494,916</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	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
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.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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, 2022 and 2021, the allowance for doubtful accounts totaled \$26,712 and \$26,689, 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 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 each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's 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 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.

BZI has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that BZI is reasonably certain to exercise. BZI recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, BZI accounts for both components as a single lease component.

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, 2022 AND 2021

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 2019.

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, 2022 AND 2021

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.

	2022	2021
Cash and cash equivalents - unrestricted	\$ 4,952,454	\$ 1,667,900
Cash - restricted	3,224,725	6,843,502
Cash - board designated	1,031,041	1,020,075
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	\$ 9,208,220	\$ 9,531,477

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, 2022 and 2021:

	2022	2021
Financial assets available for general expenditures within one year:		
Cash and cash equivalents	\$ 4,952,454	\$ 1,667,900
Accounts receivable	253,415	168,291
Accounts receivable - employee retention credit	326,198	620,314
Donations pledged, unrestricted	280,145	115,130
Total financial assets available for general expenditures within one year	5,812,212	2,571,635
Financial assets that can be made available via Board resolution:		
Cash - Board designated	1,031,041	1,020,075
Total financial assets available for general expenditures within one year including those that can be made available via Board resolution	\$ 6,843,253	\$ 3,591,710

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, 2022 AND 2021

NOTE 4
RESTRICTED ASSETS

Restricted assets at December 31, 2022 and 2021, respectively, consist of cash, certificates of deposit, and interfund receivables / (payables) restricted for the following purposes:

	2022	2021
Restricted Cash - Front Entrance	\$ 1,796,200	\$ 1,756,664
Restricted Cash - Miscellaneous Restricted	241,467	231,003
Restricted Cash - Conservation	389,009	235,826
Restricted Cash - William R. Foster Conservation & Education Fund	239,219	17,710
Restricted Cash - Small Capital Projects	558,830	558,830
Restricted Cash - Operating Reserves	-	4,043,469
	3,224,725	6,843,502
Interfund receivable (payable) - restricted - Front Entrance	147,425	(43,320)
Interfund receivable (payable) - restricted - Small Capital Projects	291,644	95,948
Interfund receivable (payable) - restricted - Miscellaneous	(141,217)	(56,785)
Interfund receivable (payable) - restricted - Iberia	17,621	-
Interfund receivable (payable) - restricted - Conservation	(102,389)	(76,980)
	213,084	(81,137)
Certificates of deposit - restricted - Endowments	111,914	111,756
Certificates of deposit - restricted - Conservation	-	154,038
Donations pledged - restricted	2,011,186	1,297,586
Total restricted assets	\$ 5,560,909	\$ 8,325,745

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:

	2022	2021
Within one year - current	\$ <u>1,123,291</u>	\$ <u>804,793</u>
Within two through five years	\$ 1,403,680	\$ 689,285
Unamortized discount	(231,428)	(77,173)
Allowance for doubtful accounts	(4,212)	(4,189)
Within two through five years - long-term	\$ 1,168,040	\$ 607,923

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 8.75% and 4.25% for years ending December 31, 2022 and 2021, respectively.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6
PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 34,779,797	\$ 34,101,102
Land and improvements	18,679,105	18,339,338
Machinery and equipment	3,605,585	3,068,622
Computers and accessories	552,026	552,026
Vehicles	363,924	332,390
Furniture and fixtures	784,865	784,865
Zoolights equipment	20,282	20,282
Master plan development	964,351	964,351
Construction in progress	<u>1,195,591</u>	<u>949,545</u>
	60,945,526	59,112,521
Less accumulated depreciation	<u>(25,293,460)</u>	<u>(23,552,114)</u>
Net property and equipment	<u>\$ 35,652,066</u>	<u>\$ 35,560,407</u>

Depreciation expense for the years ended December 31, 2022 and 2021, totaled \$2,055,069 and \$1,970,209, respectively.

NOTE 7
LINES OF CREDIT

For the years ended December 31, 2022 and 2021, BZI had one line of credit with Iberia Bank in the amount of \$2,000,000, and \$3,000,000, respectively, bearing interest at the prime rate of the lender 6.25% and 3.25%, respectively. There was no outstanding balance on this line of credit at December 31, 2022 and 2021. This line matures in September of 2023.

The line of credit agreements contain financial loan covenants which BZI was in compliance with at December 31, 2022 and 2021.

NOTE 8
NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Specific Purpose		
Front Entrance Project	\$ 2,027,313	\$ 2,064,310
Small Capital Projects	850,474	654,778
Conservation Program	286,620	312,884
William R. Foster Conservation Fund	17,498	17,710
Miscellaneous Restricted Funds	2,355,326	1,208,928
Endowment Investment	23,678	23,666
Operating Reserves	<u>-</u>	<u>4,043,469</u>
Total Specific Purpose	<u>\$ 5,560,909</u>	<u>\$ 8,325,745</u>

BIRMINGHAM ZOO, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 8
NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets without donor restrictions for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Undesignated	\$ 38,492,240	\$ 36,064,007
Board designated	1,031,041	1,020,075
	\$ 39,523,281	\$ 37,084,082

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

	2022	2021
Satisfaction of purpose restrictions	\$ 4,765,150	\$ 1,300,894

NOTE 9
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, 2022 and 2021, BZI did not make matching contributions to the Plan.

NOTE 10
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 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

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10
FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2022.

NOTE 11
LEASES

BZI has obligations as a lessee primarily for office, equipment, and vehicles. All the leases are classified as finance leases except for one equipment lease, which is classified an operating lease. Payments due under the lease contracts include mainly fixed payments. ASC 842 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less).

The components of the leases for the year ending December 31, 2022, are as follows:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 800	\$ 1,920
Finance lease interest expense	4,244	3,498
Finance lease amortization	42,352	39,254
Cash paid for amounts included in the measurement of lease liabilities - Operating lease	800	1,920
Cash paid for amounts included in the measurement of lease liabilities - Finance lease	45,224	28,633
Weighted-average remaining lease term - finance leases	3.47 years	4.17 years
Weighted-average remaining lease term - operating leases	0 years	0.30 years
Weighted-average discount rate - finance leases	3.79%	3.79%
Weighted-average discount rate - operating leases	0%	3.25%

BIRMINGHAM ZOO, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 11
COMMITMENTS AND CONTINGENCIES (CONTINUED)

Maturities of the lease liabilities under the noncancellable financing leases as of December 31, 2022, are as follows:

Fiscal Year Ending	<u>Total Lease Payment</u>
2023	\$ 30,059
2024	30,059
2025	30,059
2026	<u>13,586</u>
Total undiscounted lease payments	103,763
Less: imputed interest	<u>(6,341)</u>
Total lease liability	<u>\$ 97,422</u>

NOTE 12
CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

BZI maintains its cash and cash equivalents at five financial institutions, these balances can exceed the Federal Deposit Insurance Corporation's (FDIC) insured deposit limit of \$250,000 per financial institution. At December 31, 2022 and 2021, the BZI cash balances held at the financial institutions exceeded the FDIC insured limits by approximately \$8,133,245 and \$8,852,084, respectively. BZI has not experienced any losses through the date when the financial statements were available to be issued.

NOTE 13
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 reconstitutions, 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 additions to 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, 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 14
RELATED PARTY TRANSACTIONS

BZI receives donations from employees and entities in which certain board members serve in some capacity. These donations represent \$4,831 and \$7,531 in pledge receivables at December 31, 2022 and 2021, respectively.

BIRMINGHAM ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 15
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 (approximately 17,500 and 18,000 hours in 2022 and 2021, 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 16
PAYCHECK PROTECTION PROGRAM GRANT

On February 10, 2021, the Zoo obtained a second PPP loan in the amount of \$1,026,092. The Zoo was granted forgiveness for this loan by the U.S. Small Business Administration on September 30, 2021, and recognized this loan as a government grant under ASC 958-605, *Not for Profit Entities: Revenue Recognition*. The \$1,026,092 was included as paycheck protection program grant revenue during 2021 in the accompanying statement of activities.

NOTE 17
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 shuttered venues operators grant revenue 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 for the year ended December 31, 2021. A receivable of \$326,198 and \$620,314 are shown on the statements of financial position at December 31, 2022 and 2021, respectively.

NOTE 18
EVALUATION OF SUBSEQUENT EVENTS

The Zoo has evaluated subsequent events through May 24, 2023, 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.