

**BIRMINGHAM ZOO, INC.**

**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

Birmingham Zoo, Inc.  
Table of Contents  
For the Years Ended December 31, 2019 and 2018

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	Page
INDEPENDENT AUDITORS' REPORT.....	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statement of Activities .....	4
Statements of Cash Flows.....	5
Statements of Functional Expenses.....	6 - 7
Notes to Financial Statements.....	8 - 18

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Birmingham Zoo, Inc.

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

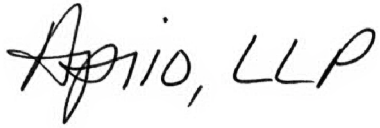
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Birmingham Zoo, Inc. as of December 31, 2019, and the results of its changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of the Birmingham Zoo, Inc. as of December 31, 2018, were audited by other auditors whose report dated April 23, 2019, expressed an unmodified opinion on those statements.

**Emphasis of Matter**

As discussed in Note 12 to the financial statements, as of January 1, 2019, the Birmingham Zoo, Inc. adopted Accounting Standards Update (ASU) No. 2016-02 "Leases" (ASC Topic 842). Our opinion is not modified with respect to that matter.

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

Birmingham, Alabama  
May 1, 2020

BIRMINGHAM ZOO, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 64,402	\$ 17,838
Cash - restricted	2,062,857	2,369,503
Cash - board designated	498,584	522,252
Certificates of deposit - restricted	124,722	22,877
Accounts receivable - unrestricted	237,396	1,346,145
Donations pledged - unrestricted	138,924	218,703
Donations pledged - restricted	908,725	5,686,836
Inventories	5,739	4,383
Prepaid expenses and other assets	145,312	118,474
Interfund receivables (payable) - unrestricted	190,700	64,737
Interfund receivables (payable) - restricted	<u>(190,700)</u>	<u>(64,737)</u>
<b>TOTAL CURRENT ASSETS</b>	<u>4,186,661</u>	<u>10,307,011</u>
<b>PROPERTY AND EQUIPMENT, NET</b>		
Property and equipment, net of accumulated depreciation	38,264,225	33,501,944
Animal collection	<u>1</u>	<u>1</u>
<b>TOTAL PROPERTY AND EQUIPMENT, NET</b>	<u>38,264,226</u>	<u>33,501,945</u>
<b>OTHER ASSETS</b>		
Right of use asset	74,481	-
Donations pledged - restricted	<u>520,473</u>	<u>858,046</u>
<b>TOTAL OTHER ASSETS</b>	<u>594,954</u>	<u>858,046</u>
<b>TOTAL ASSETS</b>	<u>\$ 43,045,841</u>	<u>\$ 44,667,002</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 219,621	\$ 74,908
Accrued liabilities	753,087	549,177
Deferred income	2,350,258	2,023,637
Line of credit	60,149	1,318,532
Current portion of right of use liabilities	35,775	-
Current portion of capital lease obligations	-	31,117
Current portion of long-term debt	<u>-</u>	<u>783,750</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,418,890</u>	<u>4,781,121</u>
<b>LONG TERM LIABILITIES</b>		
Right of use liabilities, net of current portion	40,997	-
Capital lease obligation	-	60,716
Long-term debt, net of current maturities	<u>-</u>	<u>407,988</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>40,997</u>	<u>468,704</u>
<b>TOTAL LIABILITIES</b>	<u>3,459,887</u>	<u>5,249,825</u>
<b>NET ASSETS</b>		
Without donor restrictions - board designated	498,584	522,252
Without donor restrictions	35,661,293	30,022,400
With donor restrictions	<u>3,426,077</u>	<u>8,872,525</u>
<b>TOTAL NET ASSETS</b>	<u>39,585,954</u>	<u>39,417,177</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 43,045,841</u>	<u>\$ 44,667,002</u>

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

BIRMINGHAM ZOO, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenues		
Admissions	\$ 3,463,531	\$ 3,282,242
Membership dues	1,594,974	1,543,995
Rides and attractions	1,067,762	1,032,056
Concessions commission	718,299	608,799
Program and camp fees	341,149	298,691
Public funding	2,638,338	2,634,000
Contributions	630,233	602,288
Sponsorships	303,042	319,223
In-kind donations	49,095	75,897
Special events	495,418	459,737
Rental income	67,677	92,904
Litigation settlement income	52,785	2,322,831
Other income	68,332	47,515
	11,490,635	13,320,178
Net assets released from restriction	6,342,730	3,809,112
Total support and revenues	17,833,365	17,129,290
Expenses		
Program services	10,919,181	11,689,485
Supporting services		
Management and general	465,448	485,781
Fundraising	833,512	782,873
Total expenses	12,218,141	12,958,139
TOTAL CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	5,615,224	4,171,151
CHANGES IN ASSETS WITH DONOR RESTRICTIONS		
Contributions - restricted	843,550	796,304
In-kind donations - restricted	52,733	2,500
Net assets released from restriction - satisfied by payments	(6,342,730)	(3,809,112)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(5,446,447)	(3,010,308)
INCREASE IN NET ASSETS	168,777	1,160,843
NET ASSETS AT BEGINNING OF YEAR	39,417,177	38,256,334
NET ASSETS AT END OF YEAR	\$ 39,585,954	\$ 39,417,177

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

BIRMINGHAM ZOO, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net increase in net assets	\$ 168,777	1,160,843
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,803,793	1,660,272
Loss on disposal of property and equipment	5,996	1,028,023
Changes in operating assets and liabilities:		
Accounts receivable	1,108,749	(900,293)
Donations pledged	5,195,463	4,528,039
Inventories	(1,356)	389
Prepaid expenses and other assets	(26,838)	(30,707)
Accounts payable	144,713	(186,435)
Accrued liabilities	203,910	(69,239)
Deferred income	326,621	67,828
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>8,929,828</b>	<b>7,258,720</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(6,626,543)	(3,837,212)
Proceeds from sale of property and equipment	-	800
Purchase of certificate of deposit	(100,000)	-
Reinvestment of earnings on certificates of deposit	(1,845)	(257)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(6,728,388)</b>	<b>(3,836,669)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds (payments) on lines of credit	(1,258,383)	246,104
Proceeds (payments) on capital lease obligations	-	(29,997)
Payments on right of use liabilities	(35,069)	-
Payment on long-term debt	(1,191,738)	(1,159,512)
<b>NET FLOWS FROM FINANCING ACTIVITIES</b>	<b>(2,485,190)</b>	<b>(943,405)</b>
<b>NET CHANGE IN CASH</b>	<b>(283,750)</b>	<b>2,478,646</b>
Cash, cash equivalents and restricted cash at beginning of year	2,909,593	430,947
Cash, cash equivalents and restricted cash at end of year	<b>\$ 2,625,843</b>	<b>2,909,593</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the years for interest	<b>\$ 87,070</b>	<b>122,138</b>

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

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

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

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

BIRMINGHAM ZOO, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 4,240,595	\$ 187,746	\$ 437,688	\$ 4,866,029
Administration	-	40,891	-	40,891
Animal acquisitions	4,133	-	-	4,133
Animal exhibits	15,750	-	-	15,750
Animal management	459,074	-	-	459,074
Animal tracks	33,211	-	-	33,211
Bank and credit card processing fees	138,101	23,101	-	161,202
Computer	96,392	9,365	16,173	121,930
Conservation	82,302	-	-	82,302
Continuing education/conventions	16,558	4,301	4,116	24,975
Depreciation and amortization	1,660,272	-	-	1,660,272
Dues and subscriptions	31,263	24,262	1,695	57,220
Employee benefits	449,155	34,027	19,992	503,174
Equipment expense	35,900	-	351	36,251
Equipment rental	6,913	2,396	2,396	11,705
Insurance	206,353	3,191	3,191	212,735
Interest	122,138	-	-	122,138
Loss on disposal of fixed assets	1,028,823	-	-	1,028,823
Legal and accounting	-	20,101	-	20,101
Marketing	150,499	325	-	150,824
Miscellaneous	4,352	11,161	14,510	30,023
Payroll taxes	298,497	28,771	32,367	359,635
Postage and printing	79,099	2,763	34,701	116,563
Professional consulting	131,346	-	4,500	135,846
Repairs and maintenance	468,329	-	-	468,329
Security	75,654	-	-	75,654
Signage and graphics	13,763	150	5,401	19,314
Social and special events	341,552	37,071	179,871	558,494
Summer caps and other program	101,043	-	-	101,043
Supplies	156,915	14,475	4,202	175,592
Taxes and licenses	27,297	19,882	25	47,204
Travel and meals	11,027	5,756	6,075	22,858
Uniforms	7,528	-	-	7,528
Utilities	1,190,508	16,046	15,619	1,222,173
Volunteers	<u>5,143</u>	<u>-</u>	<u>-</u>	<u>5,143</u>
 Total Expenses	 <u>\$ 11,689,485</u>	 <u>\$ 485,781</u>	 <u>\$ 782,873</u>	 <u>\$ 12,958,139</u>

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

**BIRMINGHAM ZOO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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**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

**NOTE 1**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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, 2019 and 2018, the allowance for doubtful accounts totaled \$54,336 and \$53,664, 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.

Animal Collection

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

Functional Expenses

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

Income Taxes

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

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 2016.

**NOTE 1**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and Revenue Recognition

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

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

Contributions

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

Use of Estimates

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

New Accounting Pronouncements

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

In February 2016, the FASB issued ASU 2016-02, "Leases – (Topic 842)" that requires for leases longer than one year, a lessee recognize in the statements of financial condition a right-of-use asset, representing the right to use the underlying asset for the lease term, and a right-of-use liability, representing the liability to make lease payments. BZI adopted this standard on January 1, 2019 under a modified retrospective approach.

**NOTE 1****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

BZI recognizes and measures its leases in accordance with FASB ASC 842, Leases. BZI is a lessee in three noncancellable financing leases for an office trailer and computer equipment and one operating lease for a copier. 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 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. The implicit rate of BZI's lease is not readily determinable and accordingly, BZI used its incremental borrowing rate based on the information available at the commencement date. 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.

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. The Company adopted the guidance upon its effective date of January 1, 2019 using the modified retrospective method (i.e. applied prospectively effective January 1, 2019), which had no impact on the Company's opening retained earnings. Further, the Company determined that there was no material impact to the Company's recognition of revenue upon adoption of Topic 606.

On January 1, 2019, the Zoo adopted the new cash flow standard, ASU 2016-18, "Statement of Cash Flows," which was effective for all not for profit entities for fiscal years beginning after December 15, 2018. The new standard amends the existing guidance relating to the disclosure of restricted cash on the statements of cash flows. Amounts generally described as restricted cash should be included within cash and cash equivalents when reconciling the beginning and ending amounts shown on the statements of cash flows. Previously, changes in restricted cash were reported within cash flows from investing and operating activities. The Zoo applied the requirements on a retrospective basis. The adjustments to the statements of cash flows for the year ended December 31, 2018 resulted in an increase in net cash provided by operating activities of \$3,022,249, a decrease of net cash used in investing activities of \$1,028,023 and an increase of cash, cash equivalents and restricted cash of \$2,369,503.

**NOTE 2****RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents - unrestricted	\$ 64,402	\$ 17,838
Cash - restricted	2,062,857	2,369,503
Cash - board designated	<u>498,584</u>	<u>522,252</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 2,625,843</u>	<u>\$ 2,909,593</u>

**NOTE 3**  
**LIQUIDITY AND AVAILABILITY**

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

	<u>2019</u>	<u>2018</u>
Financial assets available for general expenditures within one year:		
Cash and cash equivalents	\$ 64,402	\$ 17,838
Accounts receivable	237,396	1,346,145
Donations pledged	<u>138,924</u>	<u>218,703</u>
Total financial assets available for general expenditure within one year	440,722	1,582,686
Financial assets that can be made available via Board resolution:		
Cash and cash equivalents - Board designated	<u>498,584</u>	<u>522,252</u>
Total financial assets available for general expenditures within one year including those that can be made available via Board resolution	<u>\$ 939,306</u>	<u>\$ 2,104,938</u>

Liquidity Management

BZI created a Restricted Contingency Reserve Fund (the "Restricted fund") with a goal of accumulating up to three months of operating expenses in order to support the continuing operations of the Organization, address emergency situations, and defray capital project expenses. No money may be expended from the Restricted Fund without a majority vote of approval by the Board of Directors. Additionally, BZI has two lines of credit totaling \$4 million available to meet cash flow needs.

**NOTE 4**  
**RESTRICTED ASSETS**

Restricted assets at December 31, 2019 and 2018, respectively, consist of cash, certificates of deposit, and interfund receivables / (payables) restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Restricted Cash - Front Entrance	\$ 1,283,046	\$ 1,602,739
Restricted Cash - Merrill Lynch Money Market	133,485	129,066
Restricted Cash - Merrill Lynch Conservation	311,351	251,079
Restricted Cash - Iberia Bank	28,162	48,136
Restricted Cash - Small Capital Projects	175,370	238,821
Restricted Cash - Orangutan	38,296	-
Restricted Cash - Conservation	<u>93,147</u>	<u>99,662</u>
	2,062,857	2,369,503
Interfund receivable (payable) - restricted - Front Entrance	(289,441)	(23,485)
Interfund receivable (payable) - restricted - Small Capital Projects	145,830	(13,150)
Interfund receivable (payable) - restricted - Miscellaneous	(8,897)	(27,985)
Interfund receivable (payable) - restricted - Iberia	2,968	(6)
Interfund receivable (payable) - restricted - Conservation	<u>(41,160)</u>	<u>(111)</u>
	(190,700)	(64,737)
Certificates of deposit - restricted - Endowments	124,722	22,877
Donations pledged - restricted	<u>1,429,198</u>	<u>6,544,882</u>
Total restricted assets	<u>\$ 3,426,077</u>	<u>\$ 8,872,525</u>

**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:

	<u>2019</u>	<u>2018</u>
Within one year - current	\$ <u>1,047,649</u>	\$ <u>5,905,539</u>
Within two through five years	\$ 598,883	\$ 1,147,467
Unamortized discount	(48,796)	(259,807)
Allowance for doubtful accounts	<u>(29,614)</u>	<u>(29,614)</u>
Within two through five years - long-term	\$ <u>520,473</u>	\$ <u>858,046</u>

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 3.25% for years ending December 31, 2019 and 2018, respectively.

**NOTE 6  
PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 33,848,745	\$ 23,740,553
Land and improvements	18,253,288	17,121,491
Machinery and equipment	3,042,101	2,962,955
Computers and accessories	541,423	488,379
Vehicles	298,063	264,786
Furniture and fixtures	774,665	281,764
Zoolights equipment	20,282	15,082
Master plan development	964,351	964,351
Construction in progress	<u>165,121</u>	<u>5,602,386</u>
	57,908,039	51,441,747
Less accumulated depreciation	<u>(19,643,814)</u>	<u>(17,939,803)</u>
Net property and equipment	\$ <u>38,264,225</u>	\$ <u>33,501,944</u>

**NOTE 7  
LINES OF CREDIT**

BZI has two lines of credit with Wells Fargo Bank. One is in the amount of \$3,000,000 bearing interest at the prime rate of the lender 4.75% and 4.75% at December 31, 2019 and 2018, respectively. The outstanding balance on this line of credit at December 31, 2019 and 2018, was \$60,149 and \$1,318,532, respectively. This line matures in June 2020. BZI obtained a second line of credit in December 2017 in the amount of \$1,000,000 and bears interest at the prime rate of the lender 4.75% and 5.50% at December 31, 2019 and 2018, respectively. There were no outstanding balances on this line of credit December 31, 2019 and 2018. This line matures in June 2020. The line of credit agreements contain financial loan covenants which BZI was in compliance with at December 31, 2019 and 2018.

**NOTE 8  
LONG-TERM DEBT**

The long-term debt agreement contains financial loan covenants which include a debt coverage ratio which BZI was in compliance with at December 31, 2019 and 2018. Long-term debt consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Long-term debt to Wells Fargo Bank to finance the construction of the Trails of Africa exhibit. Interest is fixed at 3.25%. The annual principal payments of \$783,750 are due in September 2019. The remaining principal on this loan was repaid in 2019.	\$ -	\$ 1,191,738
Less current portion of long-term debt	<u>-</u>	<u>(783,750)</u>
Long-term debt	<u>\$ -</u>	<u>\$ 407,988</u>

There were no future maturities of long-term debt at December 31, 2019.

**NOTE 9  
NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Specific Purpose		
Front Entrance Project	\$ 2,292,993	\$ 8,030,524
Small Capital Projects	321,200	225,672
Conservation Program	401,635	350,630
William R. Foster Conservation Fund	28,162	48,130
Miscellaneous Restricted Funds	358,643	194,692
Endowment Investment	<u>23,444</u>	<u>22,877</u>
Total Specific Purpose	<u>\$ 3,426,077</u>	<u>\$ 8,872,525</u>

Net assets without donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 35,661,293	\$ 30,022,400
Board designated	<u>498,584</u>	<u>522,252</u>
	<u>\$ 36,159,877</u>	<u>\$ 30,544,652</u>

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

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions	<u>\$ 6,342,730</u>	<u>\$ 3,809,112</u>

**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, 2019 and 2018, 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:

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

- a. Cash and Cash Equivalents - Fair value equals carrying value of such assets due to short-term maturities of these instruments.
- b. 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, 2019.

**NOTE 12  
COMMITMENTS AND CONTINGENCIES**

**Leases**

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

The components of the leases for the year ending December 31, 2019 are as follows:

Lease cost		
Amortization of right of use assets	\$	33,902
Interest on lease liabilities		2,560
Operating lease cost		<u>1,600</u>
Total lease cost	\$	<u><u>38,062</u></u>

Other information:

Cash paid for amounts included in the measurement of lease liabilities

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

Right of use assets obtained in exchange for new finance lease liabilities

16,195

Right of use assets obtained in exchange for new operating lease liabilities

5,930

Weighted-average remaining lease term - finance leases

2.6 years

Weighted-average remaining lease term - operating leases

2.4 years

Weighted-average discount rate - finance leases

3.25%

Weighted-average discount rate - operating leases

3.25%

Maturities of the lease liabilities under the noncancellable leases as of December 31, 2019 are as follows:

	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
2020	\$ 33,855	\$ 1,920	\$ 35,775
2021	25,998	1,920	27,918
2022	<u>15,165</u>	<u>800</u>	<u>15,965</u>
Total undiscounted lease payments	75,018	4,640	79,658
Less: imputed interest	<u>(2,715)</u>	<u>(171)</u>	<u>(2,886)</u>
Total lease liability	<u><u>\$ 72,303</u></u>	<u><u>\$ 4,469</u></u>	<u><u>\$ 76,772</u></u>

**NOTE 13  
CONCENTRATIONS**

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

As of December 31, 2018, the City of Birmingham's pledge to BZI comprised 65% of total donations pledged, which amounted to \$4,385,527 (See Note 17). As of December 31, 2019, there were no amounts due from the City related to donations pledged.

**NOTE 14  
LEASEHOLD INTEREST**

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

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

**NOTE 15  
RELATED PARTY TRANSACTIONS**

BZI receives donations from employees and entities in which certain board members serve in some capacity. These donations represent \$337,343 and \$579,423 in pledge receivables at December 31, 2019 and 2018, respectively.

**NOTE 16  
CONTRIBUTED MATERIALS AND SERVICES**

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

BZI receives a significant amount of contributed time (31,755 and 29,288 volunteer hours in 2019 and 2018, 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  
CAPITAL FUNDING - PLEDGES RECEIVABLE**

In November 2017, The City of Birmingham entered into a legally binding contract to fund \$7,500,000 of the Zoo's front entrance construction project. Therefore, upon the City's legal commitment to the project in 2017, the Zoo recognized the \$7,500,000 as a donation pledged and donation with restrictions. In June 2019, the Zoo completed the front entrance project and placed the project into service as an addition to property and equipment. The donation pledge balance from the City of Birmingham for the front entrance project totaled \$0 and \$4,385,527 at December 31, 2019 and 2018, respectively.

**NOTE 18  
LOSS ON DISPOSAL OF FIXED ASSETS**

During 2018, the Zoo performed a complete physical count of their fixed assets. As a result of the count, the Zoo incurred a loss on the disposal of fixed assets of \$1,028,023, which is included in the Statement of Functional Expenses for the year ended December 31, 2018.

**NOTE 19  
RECLASSIFICATIONS**

Certain reclassifications have been made to the 2018 financial statements in order for them to comply with the current year format. Net assets remained unchanged.

**NOTE 20  
EVALUATION OF SUBSEQUENT EVENTS**

The Zoo has evaluated subsequent events through May 1, 2020, which is the date on which the financial statements were available to be issued and concluded no events or transactions occurred during the period requiring additional recognition or disclosure, except as noted below.

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.

In March 2020, the Zoo was closed to the public due to concerns related to COVID-19. Management has initiated an essential services plan to control costs during this time and has evaluated its funding source options. As a result, the Zoo applied and received funding from the Payroll Protection Program ("PPP") with the Small Business Administration totaling \$1,026,000. These funds and the cost controls included in the essential services plan will allow the Zoo to maintain current operations until the anticipated re-opening of the Zoo to the public in the summer of 2020. In addition to the PPP loan, the Zoo has annual subsidies from Jefferson County and the City of Birmingham totaling \$2.6 million due in August, September and October of 2020, which will provide necessary cash flow to continue operations into 2021.