

John Ball Zoo



Years Ended
December 31,
2021 and 2020

Financial
Statements

Rehmann

JOHN BALL ZOO

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INDEPENDENT AUDITORS' REPORT

May 6, 2022

Board of Directors
John Ball Zoo
Grand Rapids, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **John Ball Zoo** (the "Zoo"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **John Ball Zoo** as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Zoo 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Zoo's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Zoo'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 Zoo'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2022, on our consideration of the Zoo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Zoo's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

JOHN BALL ZOO

Statements of Financial Position

	December 31	
	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,624,658	\$ 868,244
Investments	7,226,000	2,350,835
Accounts receivable	490,322	19,776
Pledges receivable, current portion	1,020,946	2,026,471
Inventory	145,166	132,108
Prepaid expenses	483,657	221,358
Total current assets	10,990,749	5,618,792
Noncurrent assets		
Pledges receivable, net of current portion	2,533,699	2,775,354
Beneficial interest in assets held by Community Foundation	109,533	99,201
Intangible asset - liquor license, net	11,167	13,167
Construction in progress	8,006,629	4,892,909
Property and equipment, net	2,127,294	2,204,382
Total noncurrent assets	12,788,322	9,985,013
Total assets	\$ 23,779,071	\$ 15,603,805
LIABILITIES AND NET ASSETS		
Current liabilities		
Construction line of credit	\$ -	\$ 400,000
Accounts payable	1,101,740	410,815
Accrued expenses	502,625	594,955
Deferred income	498,816	372,944
Total current liabilities	2,103,181	1,778,714
Noncurrent liabilities		
Construction line of credit	-	1,300,000
Total liabilities	2,103,181	3,078,714
Net assets		
Without donor restrictions	18,166,278	8,287,429
With donor restrictions	3,509,612	4,237,662
Total net assets	21,675,890	12,525,091
Total liabilities and net assets	\$ 23,779,071	\$ 15,603,805

The accompanying notes are an integral part of these financial statements.

JOHN BALL ZOO

Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and gains			
Donations	\$ 612,712	\$ 1,538,542	\$ 2,151,254
Fundraising events	161,899	-	161,899
Local grants	87,100	950,000	1,037,100
Federal grants	2,188,599	-	2,188,599
Paycheck Protection Program grant (note 1)	1,351,744	-	1,351,744
Employer Retention Credits (note 1)	1,070,492	-	1,070,492
Memberships	1,503,417	-	1,503,417
Millage funding	5,589,613	-	5,589,613
Guest services	8,074,378	-	8,074,378
County improvement projects	539,141	-	539,141
Hospitality rentals	532,031	-	532,031
Education programs	172,649	-	172,649
Investment returns, net	249,268	-	249,268
Miscellaneous	54,111	-	54,111
Change in value of beneficial interest	-	14,287	14,287
Total support, revenue and gains	22,187,154	2,502,829	24,689,983
Expenses			
Program services			
Guest services	4,043,858	-	4,043,858
Animal care	3,291,647	-	3,291,647
Education	551,274	-	551,274
Institutional advancement	803,644	-	803,644
Zoo operations	3,358,168	-	3,358,168
Management and general	2,777,546	-	2,777,546
Fundraising	713,047	-	713,047
Total expenses	15,539,184	-	15,539,184
Excess of support, revenue and gains over expenses	6,647,970	2,502,829	9,150,799
Net assets released from restriction	3,230,879	(3,230,879)	-
Change in net assets	9,878,849	(728,050)	9,150,799
Net assets, beginning of year	8,287,429	4,237,662	12,525,091
Net assets, end of year	\$ 18,166,278	\$ 3,509,612	\$ 21,675,890

The accompanying notes are an integral part of these financial statements.

JOHN BALL ZOO

Statement of Activities

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and gains			
Donations	\$ 677,477	\$ 1,622,483	\$ 2,299,960
Fundraising events	161,178	-	161,178
Local grants	255,303	128,103	383,406
Paycheck Protection Program grant (note 1)	1,256,600	-	1,256,600
Memberships	857,349	-	857,349
Millage funding	5,362,793	-	5,362,793
Guest services	4,897,420	-	4,897,420
County improvement projects	612,441	-	612,441
Hospitality and catering rental	63,372	-	63,372
Education programs	62,074	-	62,074
Investment returns, net	63,483	-	63,483
Miscellaneous	50,617	-	50,617
Change in value of beneficial interest	-	6,419	6,419
Total support, revenue and gains	14,320,107	1,757,005	16,077,112
Expenses			
Program services			
Guest services	3,104,116	-	3,104,116
Animal care	3,076,203	-	3,076,203
Education	438,515	-	438,515
Institutional advancement	847,939	-	847,939
Zoo operations	7,308,850	-	7,308,850
Management and general	2,467,613	-	2,467,613
Fundraising	678,618	-	678,618
Total expenses	17,921,854	-	17,921,854
Excess of support, revenue and gains over (under) expenses	(3,601,747)	1,757,005	(1,844,742)
Net assets released from restriction	4,935,531	(4,935,531)	-
Change in net assets	1,333,784	(3,178,526)	(1,844,742)
Net assets, beginning of year	6,953,645	7,416,188	14,369,833
Net assets, end of year	\$ 8,287,429	\$ 4,237,662	\$ 12,525,091

The accompanying notes are an integral part of these financial statements.

JOHN BALL ZOO

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services						Supporting Services		Total
	Guest Services	Animal Care	Education	Institutional Advancement	Zoo Operations	Total	Management and General	Fundraising	
Salaries, wages and benefits	\$ 1,612,583	\$ 2,581,218	\$ 486,910	\$ 315,446	\$ 970,233	\$ 5,966,390	\$ 1,559,859	\$ 474,536	\$ 8,000,785
Payroll taxes	113,993	156,457	33,120	17,721	61,300	382,591	76,759	30,628	489,978
Advertising and promotion	70,067	-	-	345,334	-	415,401	2,175	-	417,576
Animal health and nutrition	-	279,516	-	-	-	279,516	-	-	279,516
Bank, payroll and credit card fees	236,678	11,572	6,655	31,081	6,855	292,841	7,141	24,301	324,283
Computer and internet	4,896	11,136	1,171	6,170	4,681	28,054	245,338	14,887	288,279
Conferences and training	2,544	3,340	125	56	62	6,127	11,958	4,590	22,675
Contractual services	298,656	37,866	-	15,910	-	352,432	265,713	99,854	717,999
Design, printing and photographs	20,789	-	15,491	60,705	157	97,142	34,884	25,877	157,903
Equipment rental	4,479	2,090	-	-	8,399	14,968	2,366	-	17,334
Exhibits	-	-	-	-	828,781	828,781	-	-	828,781
Food purchases	628,511	998	575	353	995	631,432	5,050	12,794	649,276
Gift shop purchases	636,582	-	-	-	-	636,582	-	-	636,582
Insurance	-	-	-	-	-	-	115,744	-	115,744
Interest	-	-	-	-	-	-	-	3,647	3,647
Dues and subscriptions	1,044	3,417	2,102	1,144	395	8,102	33,102	1,376	42,580
Miscellaneous	7,521	35,698	609	-	5,707	49,535	2,789	2,752	55,076
Postage	317	5,037	-	6,515	-	11,869	10,593	9,862	32,324
Professional and licensing fees	8,044	1,120	-	-	357	9,521	102,622	122	112,265
Rent, parking and other occupancy	-	-	-	-	-	-	41,220	-	41,220
Repairs and maintenance	49,458	21,263	-	-	547,384	618,105	12,124	-	630,229
Security	-	-	-	-	109,418	109,418	1,559	-	110,977
Small equipment	22,588	28,972	244	1,831	26,304	79,939	108,943	-	188,882
Supplies	97,194	78,372	3,826	1,352	102,742	283,486	27,515	5,715	316,716
Travel and hospitality	1,873	2,074	199	26	83	4,255	19,914	660	24,829
Uniforms	20,565	2,930	247	-	804	24,546	994	1,446	26,986
Utilities	-	-	-	-	646,950	646,950	18,100	-	665,050
Total expenses before depreciation and amortization	3,838,382	3,263,076	551,274	803,644	3,321,607	11,777,983	2,706,462	713,047	15,197,492
Depreciation and amortization	205,476	28,571	-	-	36,561	270,608	71,084	-	341,692
Total expenses	\$ 4,043,858	\$ 3,291,647	\$ 551,274	\$ 803,644	\$ 3,358,168	\$ 12,048,591	\$ 2,777,546	\$ 713,047	\$ 15,539,184

The accompanying notes are an integral part of these financial statements.

JOHN BALL ZOO

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services						Supporting Services		Total
	Guest Services	Animal Care	Education	Institutional Advancement	Zoo Operations	Total	Management and General	Fundraising	
Salaries, wages and benefits	\$ 1,452,139	\$ 2,352,600	\$ 366,276	\$ 341,180	\$ 807,381	\$ 5,319,576	\$ 1,347,442	\$ 390,923	\$ 7,057,941
Payroll taxes	99,581	140,669	22,710	20,908	51,177	335,045	61,126	25,174	421,345
Advertising and promotion	-	-	-	296,699	-	296,699	-	-	296,699
Animal health and nutrition	-	256,106	-	-	-	256,106	-	-	256,106
Bank, payroll and credit card fees	146,684	9,201	10,585	21,818	6,049	194,337	5,516	23,839	223,692
Computer and internet	10,224	13,599	1,556	5,843	10,264	41,486	357,411	23,914	422,811
Conferences and training	171	6,546	1,949	925	237	9,828	13,936	-	23,764
Contractual services	285,568	2,060	1,754	54,779	2,546	346,707	115,134	120,672	582,513
Design, printing and photographs	57,379	-	5,322	64,994	85	127,780	26,033	21,467	175,280
Equipment rental	-	130	-	-	7,698	7,828	2,366	660	10,854
Exhibits	-	-	-	-	5,140,631	5,140,631	-	-	5,140,631
Food purchases	370,097	603	33	171	414	371,318	5,838	3,562	380,718
Gift shop purchases	368,182	-	-	-	-	368,182	-	-	368,182
Insurance	-	-	-	-	-	-	107,992	-	107,992
Interest	-	-	-	-	-	-	-	35,305	35,305
Dues and subscriptions	1,409	4,084	619	2,110	820	9,042	28,866	873	38,781
Miscellaneous	1,625	28,100	317	120	6,800	36,962	3,885	1,728	42,575
Postage	116	2,769	-	8,771	-	11,656	9,591	5,084	26,331
Professional and licensing fees	8,136	591	-	-	177	8,904	90,826	-	99,730
Rent, parking and other occupancy	-	-	-	-	-	-	41,000	-	41,000
Repairs and maintenance	6,661	17,759	-	-	444,452	468,872	10,922	-	479,794
Security	24,948	-	-	-	87,555	112,503	1,375	-	113,878
Small equipment	90,240	55,175	-	2,680	42,644	190,739	117,024	1,346	309,109
Supplies	68,637	84,373	11,786	565	98,734	264,095	24,962	3,262	292,319
Travel and hospitality	668	1,089	84	191	162	2,194	8,108	33	10,335
Uniforms	26,037	2,123	976	102	1,357	30,595	786	39	31,420
Utilities	102	-	338	-	532,596	533,036	14,853	-	547,889
Total expenses before depreciation and amortization	3,018,604	2,977,577	424,305	821,856	7,241,779	14,484,121	2,394,992	657,881	17,536,994
Depreciation and amortization	85,512	98,626	14,210	26,083	67,071	291,502	72,621	20,737	384,860
Total expenses	\$ 3,104,116	\$ 3,076,203	\$ 438,515	\$ 847,939	\$ 7,308,850	\$ 14,775,623	\$ 2,467,613	\$ 678,618	\$ 17,921,854

The accompanying notes are an integral part of these financial statements.

JOHN BALL ZOO

Statements of Cash Flows

	Year Ended December 31	
	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 9,150,799	\$ (1,844,742)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	341,692	384,860
Unrealized gain on investments	(217,683)	(12,610)
Changes in beneficial interest	(10,332)	(2,404)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(470,546)	133,197
Pledges receivable	1,247,180	1,592,174
Inventory	(13,058)	34,509
Prepaid expenses	(262,299)	95,329
Construction in progress	(3,113,720)	(263,090)
Accounts payable	690,925	(1,487,712)
Accrued expenses	(92,330)	35,647
Deferred income	125,872	100,429
Net cash (used in) provided by operating activities	7,376,500	(1,234,413)
Cash flows from investing activities		
Purchases of property and equipment	(262,604)	-
Proceeds from sale of investments	2,173,963	5,400,000
Purchases of investments	(6,831,445)	(5,750,000)
Net cash used in investing activities	(4,920,086)	(350,000)
Cash flows provided by (used in) financing activities		
Net line of credit draws (repayments)	(1,700,000)	1,700,000
Net increase (decrease) in cash and cash equivalents	756,414	115,587
Cash and cash equivalents, beginning of year	868,244	752,657
Cash and cash equivalents, end of year	\$ 1,624,658	\$ 868,244
Supplemental cash flows information		
Interest paid	\$ 3,647	\$ 35,305

The accompanying notes are an integral part of these financial statements.

JOHN BALL ZOO

Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

John Ball Zoo (the “Zoo”) is a 501(c)(3) and 509(a)(2) nonprofit organization committed to the advancement of public education on the need for wildlife conservation and preservation. On January 1, 2014, Kent County and the John Ball Zoological Society unified their respective operations at the Zoo to create John Ball Zoo. It is mutually agreed that the County shall continue to own the real property, but the Zoo shall operate and maintain such assets and manage all programs listed hereafter. Prior to this date, Kent County managed and operated the Zoo in partnership with the John Ball Zoological Society. In addition, Zoo employees previously employed by Kent County are now employed by John Ball Zoo. Refer to Note 10 for disclosure relating to the Kent County Operating Agreement.

The John Ball Zoo is formed for the following purposes: to advance public education on the need for wildlife conservation and preservation and to support the captive propagation of wild and endangered animal species; and to promote the welfare of the John Ball Zoo and its advancement as a public education institution, as a scientific center, as a natural science and wildlife exhibit and conservation agency, and as a cultural and recreational establishment, dedicated to the enrichment of human and natural resources.

John Ball Zoo's mission is to inspire our community to be actively engaged in the conservation of wildlife and our natural environment.

The Zoo fulfils its mission through the following program services:

Guest Services: The Zoo incurs expenses related to the operation and management of its food service, gift shop, visitor experiences and admission sales.

Animal Care: The Zoo incurs expenses related to the support in caring for their animal collection. This includes food, veterinary services, animal enrichment, equipment and appropriate staffing.

Education: The Zoo offers education programs which include classes, tours, camps, teen programs, scout programs, school programs, family programs, educational exhibit graphics and exhibit interpretation.

Institutional Advancement: The Zoo incurs costs related to the operation and management of membership sales, events, promotions and rentals.

Zoo Operations: The Zoo incurs expenses related to the management and maintenance of the buildings, equipment, and zoo and park outdoor spaces. This includes repairs, renovations, exhibit development and exhibit construction.

Notes to Financial Statements

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. As a result, the COVID-19 outbreak is disrupting and affecting the Zoo's normal operations. The extent of the ultimate impact of the pandemic on the Zoo's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on funding sources, donors, employees and vendors, all of which cannot be reasonably predicted at this time. During 2021, the Zoo received approximately \$2.2 million through the Shuttered Venues Operating Grant as part of the American Rescue Plan Act, which is recognized in the accompanying statement of activities. With these additional federal resources, at this time, management does not believe that the negative financial impacts of the pandemic, if any, would be material to the Zoo.

In turn, the Zoo secured borrowings in the amount of \$1,256,600 in 2020 through the Paycheck Protection Program ("PPP") obtained through the Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020. In 2021, the Zoo secured additional PPP borrowings in the amount of \$1,351,744, funded through the Consolidated Appropriations Act, which was enacted into law on December 27, 2020. There are certain provisions with the PPP borrowings which permit the Zoo to have these loans fully forgiven based on specific stipulations within the agreement. On December 17, 2020 and on August 23, 2021, the Zoo received full forgiveness of each loan proceeds and accordingly recognized \$1,256,600 and \$1,351,744, respectively, in the accompanying statement of activities.

The Zoo also has claimed employer retention tax credits of \$1,070,492 for the year ending December 31, 2021, which is recognized in the accompanying statement of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support and revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include but are not limited to the allocation of expenses between program and supporting services.

Net Asset Classification

Net assets, support, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Notes to Financial Statements

Net Assets with Donor Restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Zoo considers all demand bank deposits, interest bearing bank deposits, and highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. The Zoo has cash in the form of demand deposits and with one bank. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Zoo believes it is impractical to insure all bank deposits. As a result, the Zoo evaluates each financial institution with which it deposits Zoo funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. Management does not believe the Zoo is exposed to any significant interest rate or other financial risk as a result of these deposits.

Investments

Investments are carried at fair value using quoted prices whenever available. Investments are used to support operating cash flows and are classified as a current asset on the statement of financial position, except for endowment fund assets which are included in noncurrent investments. In the case in which quoted market values are not available, such investments are valued at an estimated fair value. Unrealized increases or decreases resulting from changes in the fair value of investments are included annually in the statement of activities. Realized gains and losses are recorded using specific identification of the assets sold.

Investment return, net of fees is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, distributions from beneficial interest in assets held by the Community Foundation, less external investment expenses.

The Zoo invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in these financial statements.

Notes to Financial Statements

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurement, refer to Note 2 to the financial statements.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding and collateral is not required. Management has reviewed the balances that comprise accounts receivable and determined such balances to be fully collectible. Accordingly, no provision for uncollectible accounts is included in the financial statements. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

Pledges Receivable and Contributions

The Zoo records as revenue the following types of contributions when they are received unconditional, at their fair value: cash, promises to give, certain donated services and gifts of long-lived and other assets. Conditional contributions, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor restricted gifts are reported as restricted support in the net asset with donor restrictions category.

Fundraising event support is recorded as contributions by the Zoo. The exchange portion of the transactions for the direct costs of the benefits received by the participants is not significant.

JOHN BALL ZOO

Notes to Financial Statements

Inventory

Inventory, consisting of concession and gift items, is stated at the lower of cost using the first in, first-out (FIFO) method, or net realizable value.

Intangible Asset - Liquor License

The Zoo has capitalized a liquor license in the amount of \$30,000, and is amortizing it on the straight line method over the term of the license (15 years). Amortization expense was \$2,000 for the years ended December 31, 2021 and 2020.

Property and Equipment

Property and equipment are stated at cost or, if donated at fair value, on the date of acquisition. The Zoo capitalizes all expenditures for property and equipment in excess of \$10,000. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. Depreciation is computed using the straight-line method over their estimated useful lives or the lease term if shorter, which range from 3-20 years.

Construction in Progress

In accordance with industry practice, construction in progress reflects amounts expended for projects and exhibits that are in progress at the end of the Zoo's fiscal year. Such projects and exhibits are generally donated to Kent County upon completion, and will be reflected as an expense in the statement of activities when the project or exhibit is completed, and ownership is transferred to the County.

Beneficial Interest in Assets Held by Community Foundation

Investments include a beneficial interest in assets held by the Grand Rapids Community Foundation (the "Community Foundation"). The fair value of the beneficial interest is determined by the Community Foundation. The unrealized appreciation (depreciation) in fair value is reflected on the statement of activities as change in value of beneficial interest.

Donations and Unconditional Promises to Give

Donations are considered to be without donor restrictions unless specifically restricted by the donor. Donor-restricted donations whose restrictions are met within the same year as received are reflected as the donation is received without donor restrictions in the accompanying financial statements.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. The gifts are reported as either net assets without donor restrictions or net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets.

Notes to Financial Statements

Revenue and Support Recognition

Grant Awards

Grant awards are either recorded as conditional contributions or exchange transactions based on criteria contained in the grant award:

- *Grant awards that are conditional contributions* - Grants that qualify as conditional contributions in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances on conditional contributions. Total grants determined to be contributions were \$6,187,076 and \$2,252,447 for the years ended December 31, 2021 and 2020, respectively. There are no contributions that have not yet been recognized because qualifying expenses have not been incurred. Amounts questioned as a result of audits, if any, may result in refunds to governmental agencies. Management does not believe any liability for reimbursements, which may arise as the result of these audits, would be material.
- *Grant awards that are exchange transactions* - Revenue is recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There were no grant awards that were considered exchange transactions during the years ended December 31, 2021 and 2020.

Guest Services Revenue - Retail Sales

The Zoo recognizes guest revenue from ticket sales at the time of admission. Sales from concessions and gift shops are recognized at the time of sale, point of sale. The sales are reported at the amount that reflects the consideration to which the Zoo expects to be entitled in exchange for providing goods or services to the customer. Customers pay for goods sold on a stand-alone selling price basis at the point of sale which occurs at a point in time. Control is transferred immediately to the customer at the point of sale. The Zoo does not include sales and other taxes in the transaction price and thus does not recognize these amounts as revenue. The Zoo does not have significant product returns.

The Zoo allows customers to purchase gift certificates on a stand-alone selling price basis. Customers can use the gift certificate to purchase goods in retail locations as if the gift certificate was cash. The Zoo has reported a liability for its outstanding gift certificates of \$55,049 and \$47,243 as of December 31, 2021 and 2020, respectively.

JOHN BALL ZOO

Notes to Financial Statements

Millage Funding

The Zoo is a recipient of a voter approved millage from Kent County for property taxes. The taxes assessed to county residents are for general operations of the Zoo. This is not considered a contract. Monies comes from taxes of the citizens and the Zoo does not have to provide a performance obligation in return. Millage support is recognized throughout the fiscal year when allocations are received from Kent County.

Membership Dues

Annual memberships are offered at posted rates for individuals, families and grandparents. The member pays for and begins receiving membership benefits upfront, and the performance obligation is satisfied over time as the benefits are consumed. Memberships are purchased throughout the year and primarily used by the end of the fiscal year given the seasonality of the Zoo's operations. A portion of membership fees are deferred at year end and will be recognized as membership benefits are consumed. See additional disclosures over deferred income amounts at footnote 8.

Membership revenue is recognized ratably over the membership period as the customer simultaneously receives and consumes the benefit of the services. There is no contribution element to membership dues.

Educational Programs

Education programs are offered at posted rates for members and local schools. Programs are offered throughout the year. The member or school pays upfront for the program, and the performance obligation is satisfied at a point in time upon completion of the class or session. A portion of program fees are deferred at year end and will be recognized as the programs are held. See additional disclosures over deferred income amounts at footnote 8.

JOHN BALL ZOO

Notes to Financial Statements

Revenue from contracts with customers for the Zoo for the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Point in Time Revenue		
Guest services	\$ 8,074,378	\$ 4,897,420
Education programs	172,649	62,074
Miscellaneous	54,111	50,617
	<u>8,301,138</u>	<u>5,010,111</u>
Over Time Revenue		
Memberships	<u>1,503,417</u>	<u>857,349</u>
Total	<u><u>\$ 9,804,555</u></u>	<u><u>\$ 5,867,460</u></u>

As all payment is due upon point of sale or upfront, there are no outstanding receivables related to contracts with customers as of December 31, 2021, 2020 or 2019.

Animal Collections

In accordance with industry practice, the Zoo does not capitalize animal collections; acquisitions are reported as expenditures in the period of acquisition. The Zoo is responsible for the health and welfare of its animal collections. The Zoo maintains records of its collections and any exchanges with other collections that continue to be cared for, used, and expanded. All deaccessioned animal collections are either assigned or exchanged through AZA Species Survival Plans, no proceeds are received for such collections.

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 asset or liability for such sharing arrangements.

Donated Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. In addition, many other volunteers have contributed significant amounts of time to the Zoo, without compensation. These contributions, although clearly substantial, are not recognized as contributions in the financial statements since the recognition criteria stated above was not met.

Advertising Expenses

Advertising costs are expensed to operations as incurred. Advertising expense was \$417,576 and \$296,699 for the years ended December 31, 2021 and 2020, respectively.

Notes to Financial Statements

Income Taxes

The Zoo is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) and 509(a)(2) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Zoo's rental income is subject to tax as unrelated business income. The Zoo recorded \$0 in tax expense for this unrelated business activity for the years ended December 31, 2021 and 2020.

The Zoo evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Zoo has no significant unrecognized tax benefits under that criteria. The Zoo's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for four years after they were filed (2018 - 2021).

Functional Allocation of Expenses

The costs to provide the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the statements of activities and functional expenses.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related employee benefits have been allocated across programs and supporting services based on estimated time and effort. Depreciation, building operations, and maintenance expenses are allocated on a square footage basis. Other expenses are allocated based on estimates of usage.

Reclassification

Certain amounts as reported in the 2020 financial statements have been reclassified to conform with the 2021 presentation.

Subsequent Events

In preparing these financial statements, the Zoo has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2021, the most recent statement of financial position presented herein, through May 6, 2022, the date these financial statements were available to be issued. No such events or transactions were identified.

JOHN BALL ZOO

Notes to Financial Statements

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Zoo utilizes fair value measurements to record fair values adjustments to certain assets and to determine fair value disclosures. Investments (including beneficial interests) are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value.

Beneficial Interest in Assets Held by Community Foundation: The underlying assets cannot be liquidated or redeemed by the Zoo. As such, no quoted prices or active market are available for this asset and the balance of \$109,533 and \$99,201 as of December 31, 2021 and 2020, respectively, is classified as Level 3. As a practical expedient, the carrying value of this asset is equal to the fair value of the underlying investments held by a community foundation.

Investments

Money market mutual funds: Level 1 fair value measurement is based upon the closing price reported on the active market.

Common stocks: Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Zoo 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.

Investments Recorded at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of December 31:

2021	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 5,041,833	\$ -	\$ -	\$ 5,041,833
Common stocks	2,184,167	-	-	2,184,167
Beneficial interest on assets held by Community Foundation	-	-	109,533	109,533
Total investments at fair value	\$ 7,226,000	\$ -	\$ 109,533	\$ 7,335,533

JOHN BALL ZOO

Notes to Financial Statements

2020	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 2,014,139	\$ -	\$ -	\$ 2,014,139
Common stocks	336,696	-	-	336,696
Beneficial interest on assets held by Community Foundation	-	-	99,201	99,201
Total investments at fair value	\$ 2,350,835	\$ -	\$ 99,201	\$ 2,450,036

Following is a reconciliation of the beneficial interest in assets held by Community Foundation activity (Level 3) with a fair value based on significant unobservable (non-market) information for the years ended December 31:

	2021	2020
Balance, beginning of year	\$ 99,201	\$ 96,797
Net investment gain	14,287	6,419
Distributions	(3,955)	(4,015)
Balance, end of year	\$ 109,533	\$ 99,201

3. PLEDGES RECEIVABLE

Pledges receivable are estimated to be collected as follows at December 31:

	2021	2020
Receivable in less than one year	\$ 1,020,946	\$ 2,026,471
Receivable in one to five years	2,548,134	2,807,209
Gross pledges receivable	3,569,080	4,833,680
Less: discount at 0.30% and 0.77% rate	(14,435)	(31,855)
Net pledges receivable	\$ 3,554,645	\$ 4,801,825

JOHN BALL ZOO

Notes to Financial Statements

4. CONSTRUCTION IN PROGRESS

During the year ended December 31, 2021, waterproofing for Treasures and South America, habitat assessment projects, aquarium upgrades, and various other small projects were completed and donated to Kent County in the amount of \$828,781. During the year ended December 31, 2020, the playground, meerkat exhibit, service road, and various other small projects were completed and donated to Kent County in the amount of \$5,140,631. The balance of the construction in progress account as of December 31, 2021 and 2020 was \$8,006,629 and \$4,892,909, respectively, all in the support of the Zoo's 10 year master plan. At December 31, 2021, the Zoo had outstanding commitments through construction contracts in the amount of \$10,130,691.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2021	2020
Equipment	\$ 4,267,968	\$ 4,049,539
Leasehold improvements	31,691	31,691
Vehicles	175,165	130,990
Total	4,474,824	4,212,220
Less accumulated depreciation	(2,347,530)	(2,007,838)
Net property and equipment	\$ 2,127,294	\$ 2,204,382

6. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Zoo maintains an endowment fund held by the Grand Rapids Community Foundation (the "Community Foundation"). The Zoo is the income beneficiary of the fund which had a balance of \$109,533 and \$99,201 at December 31, 2021 and 2020, respectively.

Under this agreement, the Zoo is entitled to an annual distribution equal to 5% of the average fair value of the investments over a period of 16 rolling quarters in perpetuity. The Community Foundation maintains variance power and legal ownership of amounts contributed by the Zoo as a reciprocal donation plus any interest earned, and gains and losses, however, the funds represent assets of the Zoo and are recorded on the statements of financial position. The asset is revalued on an annual basis based on changes in fair value. This revaluation, in the statements of activities, is captioned in change in value of beneficial interest.

JOHN BALL ZOO

Notes to Financial Statements

In addition, individual donations were made to the fund which did not flow through the Zoo to the Foundation; rather the donations were directly received by the Community Foundation from the donors. In accordance with accounting principles generally accepted in the United States of America, the Zoo has not recorded the fair value of these gifts, which was \$14,285 and \$12,937 at December 31, 2021 and 2020, respectively, as an asset on the Zoo's statements of financial position. The Zoo will record grant distributions received from the fund as contributions in its statements of activities at the time the contributions are received by the Zoo. Contributions recorded were \$515 and \$4,540 at December 31, 2021 and 2020, respectively.

7. LINES OF CREDIT

The Zoo has an unsecured line of credit in the amount of \$4,500,000 to bridge the cash flow timing between pledge payment receipts and construction expenses available through February 5, 2025, with interest on borrowings at LIBOR one month floating rate plus 1.950%. The LIBOR rate was 0.104% at December 31, 2021. There were outstanding borrowings of \$0 and \$1,700,000 on this line of credit at December 31, 2021 and 2020, respectively.

The Zoo has an unsecured line of credit in the amount of \$1,500,000 for general operating needs available through October 5, 2022, with interest on borrowings at LIBOR one month floating rate plus 1.900%. The LIBOR rate was 0.104% at December 31, 2021. There were no borrowings on this line of credit at December 31, 2021 and 2020, respectively.

8. DEFERRED INCOME

The balances in deferred income consist of the following at December 31:

	2021	2020
Deferred membership	\$ 72,789	\$ 92,590
Deferred facility rental	325,277	214,581
Deferred education programs	18,901	18,530
Deferred gift cards	55,049	47,243
Deferred other	26,800	-
Total deferred income	\$ 498,816	\$ 372,944

Contract liabilities within the deferred income amounts noted above, consist of deferred memberships, deferred education programs, deferred gift cards, and deferred other which totaled \$173,539, \$158,363, and \$107,678 for the years ended December 31, 2021, 2020 and 2019, respectively.

JOHN BALL ZOO

Notes to Financial Statements

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2021	2020
Subject to expenditure for specified purpose:		
Capital campaign	\$ 3,141,499	\$ 3,853,881
JUMP	-	30,000
Various zoo projects	254,580	254,580
Subject to passage of time:		
Charitable gifts, time restrictions	4,000	-
Perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interests in Community Foundation	109,533	99,201
Total	<u>\$ 3,509,612</u>	<u>\$ 4,237,662</u>

10. KENT COUNTY OPERATING AGREEMENT

The Zoo entered into an operating agreement with Kent County for the period January 1, 2014 to December 31, 2034. The operating agreement also provides for two additional 20-year extensions of the contract. The County may terminate the agreement prior to December 31, 2034, under a limited number of default criteria. Under the terms of the operating agreement, the County retains ownership of all real property utilized by the Zoo. The Zoo will operate and maintain such property and manage all related programs that support wildlife conservation, education, and professional animal management of the Zoo. The Zoo leases the real property from the County under an operating lease for \$20 for the entire 20-year term, which was paid in full at the inception of the lease.

Consistent with prior years, the fair value of the lease has not been reflected in the accompanying financial statements because objective valuation information is not available due to the unique characteristics and public park locations of the facilities.

Under the terms of the operating agreement, the County provides a management fee to the Zoo for each year of the contract term. No management fee was received or required for the year ended December 31, 2021 or 2020. The County is contracted to provide future management fees of \$2,000,000 per year for the years 2020 through 2034, offset by the voter-approved millage, as stated on the following page.

JOHN BALL ZOO

Notes to Financial Statements

On November 8, 2016, a voter-approved millage was passed that will provide funding for the Zoo over the next 10 years. In accordance with the County operating agreement, the management fee will be reduced by the amount of the revenue provided by the millage funding. The Zoo will annually receive their allocation of the approved 0.44 mill property tax levy to be spent on care of animals, repair and improvement of exhibits and providing enhanced educational programs. For the years ending December 31, 2021 and 2020, the Zoo received millage funding of \$5,589,613 and \$5,362,793 respectively.

11. RETIREMENT SAVINGS PLAN

John Ball Zoo sponsors a qualified 401(k) Plan and Trust covering employees who are at least age 21 and who have one year of service (at least 1,000 hours in a twelve month period). Upon eligibility, participants are automatically enrolled for a 4% (previously 3%) contribution from his or her compensation. The employee has the option to waive this enrollment. John Ball Zoo's employer matching contributions are 4%. The Zoo also contributes a discretionary amount, 3% for the years ended December 31, 2021 and 2020. For the years ended December 31, 2021 and 2020, the Zoo's total matching and discretionary contributions were \$314,591 and \$319,787, respectively.

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Zoo's financial assets available within one year of the statements of financial position date for general expenditures are as follows as of December 31:

	2021	2020
Cash and cash equivalents	\$ 1,624,658	\$ 868,244
Investments	7,226,000	2,350,835
Accounts receivable	490,322	19,776
Pledges receivable, current portion	<u>1,020,946</u>	<u>2,026,471</u>
Total financial assets available within one year	10,361,926	5,265,326
Less: Amounts unavailable for general expenditures within one year, due to:		
Pledges receivable related to the capital campaign	(1,020,946)	(2,026,471)
Restricted by donors with purpose or time restrictions included above	<u>(2,379,133)</u>	<u>(2,111,990)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,961,847</u>	<u>\$ 1,126,865</u>

JOHN BALL ZOO

Notes to Financial Statements

The Zoo manages its liquidity required to meet its operating needs while also trying to maximize the investment of its available funds. To help manage unanticipated liquidity needs, the Zoo has two lines of credit with maximum borrowings of \$6,000,000, which \$1,500,000 can be drawn on for general operations. As part of the Zoo's liquidity plan, guest services, membership, and education programs revenue is available for general expenditures, without donor or other restrictions limiting their use, within one year of the financial position date.

13. RISK MANAGEMENT AND BENEFITS

Effective January 1, 2019 the Zoo is self-insured for claims relating to medical benefits. The Zoo estimates the liability for employee medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the statements.

The Zoo maintains a self-insurance program for employee health insurance with Priority Health. The program is administered by Priority Health. Premiums are paid based on a fixed rate established each year; monies are then advanced to Priority Health to pay claims and administrative costs.

Changes in the balances of estimated liabilities are as follows:

	2021	2020
Health insurance		
Estimated liability, January 1	\$ 124,200	\$ -
Estimated claims incurred, including changes in estimates	405,594	737,099
Claim payments	<u>355,046</u>	<u>612,899</u>
Estimated liability recorded in accrued liabilities, December 31	<u>\$ 50,548</u>	<u>\$ 124,200</u>

Effective January 1, 2020 the Zoo is self-insured for claims relating to dental benefits. The Zoo estimates the liability for employee dental claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the statements.

The Zoo maintains a self-insurance program for employee dental insurance with Delta Dental. The program is administered by Delta Dental. Premiums are paid based on a fixed rate established each year; monies are then advanced to Delta Dental to pay claims and administrative costs.

JOHN BALL ZOO

Notes to Financial Statements

Changes in the balances of estimated liabilities are as follows:

	2021	2020
Dental insurance		
Estimated liability, January 1	\$ 5,000	\$ -
Estimated claims incurred, including changes in estimates	61,163	51,203
Claim payments	<u>59,283</u>	<u>46,203</u>
Estimated liability recorded in accrued liabilities, December 31	<u>\$ 1,880</u>	<u>\$ 5,000</u>

14. LEASES

Effective September 1, 2019 the Zoo entered into a lease agreement for a facility for administrative office space. The expense is recorded in management and general as rent, parking and other occupancy. Lease expense related to the facility rental for the years ended December 31, 2021 and 2020 was \$34,100.

The Zoo also has lease agreements for office equipment and a storage unit. The expense is allocated, as appropriate, across the Zoo's various functions. Lease expense related to the office equipment and storage unit rental for the years ended December 31, 2021 and 2020 was \$34,441 and \$9,122, respectively.

Future minimum lease payments on noncancelable lease terms having initial or remaining lease terms of one year or more are as follows for the years subsequent to December 31, 2021:

Year Ended December 31	Amount
2022	\$ 69,176
2023	62,671
2024	50,114
2025	27,381
2026	<u>2,282</u>
Total	<u>\$ 211,624</u>

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

May 6, 2022

Board of Directors
John Ball Zoo
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **John Ball Zoo** (the "Zoo"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 6, 2022.

Report on Internal Control Over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.