



OMAHA ZOOLOGICAL SOCIETY

Financial Statements

December 31, 2022

(With Independent Auditors' Report Thereon)



KPMG LLP
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Independent Auditors' Report

The Audit Committee
Omaha Zoological Society:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Omaha Zoological Society (the Society), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

As more fully disclosed in Note 1 to the financial statements, the Society has not consolidated the Omaha Zoo Foundation (the Foundation) in the accompanying financial statements, but rather the Society has recorded the beneficial interest in certain net assets of the Foundation. If the Foundation's financial statements were consolidated, assets and net assets of the Society would be increased by \$113.0 million and \$112.0 million, respectively. U.S. generally accepted principles require consolidation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Report on Summarized Comparative Information

We have previously audited the Society's 2021 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated April 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 Society's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Society'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 Society'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.

KPMG LLP

Omaha, Nebraska
April 20, 2023

OMAHA ZOOLOGICAL SOCIETY

Statement of Financial Position

December 31, 2022

(with summarized financial information as of December 31, 2021)

Assets	2022	2021
Cash and cash equivalents	\$ 38,772,799	39,931,851
Investments	2,960,896	—
Beneficial interest in net assets of related organization	32,111,131	30,675,738
Gift shop and food/beverage inventory	804,564	653,427
Receivables	36,163	140,236
Pledge receivable	—	1,330,504
Grants receivable	133,351	400,233
Prepaid expense	285,217	547,022
Structures and equipment, net	295,012,973	291,179,687
Total assets	\$ 370,117,094	364,858,698
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 3,466,524	4,467,581
Accrued payroll	1,445,824	1,293,195
Payroll taxes withheld	58,885	516,123
Deferred membership revenue	5,831,614	4,679,836
Scholarships payable	11,250	11,250
Due to Omaha Zoo Foundation	113,525	26,126
Bonds payable (net of issuance costs)	14,972,614	14,960,664
Accrued interest payable	54,392	54,392
Total liabilities	25,954,628	26,009,167
Net assets:		
Without donor restrictions	303,984,818	296,652,387
With donor restrictions	40,177,648	42,197,144
Total net assets	344,162,466	338,849,531
Total liabilities and net assets	\$ 370,117,094	364,858,698

See accompanying notes to financial statements.

OMAHA ZOOLOGICAL SOCIETY

Statement of Activities

Year ended December 31, 2022

(with summarized financial information for the year ended December 31, 2021)

	2022			2021 Total
	Without donor restrictions	With donor restrictions	Total	
Changes in net assets:				
Revenues and gains:				
City of Omaha subsidy	\$ 2,504,304	—	2,504,304	2,373,748
COVID related grants	113,558	—	113,558	10,000,000
Douglas county grant	111,541	—	111,541	278,201
Admissions	18,676,385	—	18,676,385	18,021,628
Food/beverage	8,371,104	—	8,371,104	7,607,713
Giant screen theater	97,617	—	97,617	174,233
Gift shop	7,189,739	—	7,189,739	7,204,140
Skyfari	896,556	—	896,556	1,212,929
Train	979,045	—	979,045	978,443
Tram	173,132	—	173,132	243,725
Carousel	261,686	—	261,686	275,900
Special exhibit	859,291	—	859,291	815,659
Membership fees	15,739,418	—	15,739,418	11,391,878
Education programs	1,259,219	—	1,259,219	1,065,401
Investment income	377,247	—	377,247	3,122
Donations	490,464	—	490,464	10,461,120
Grants	529,503	1,704,970	2,234,473	1,460,667
Miscellaneous	827,105	—	827,105	646,258
Gain on insurance recoveries for damaged property	470,802	—	470,802	—
Net assets released from restrictions	5,159,859	(5,159,859)	—	—
Total revenues and gains	65,087,575	(3,454,889)	61,632,686	74,214,765
Expenses and losses:				
Salaries and wages	22,101,662	—	22,101,662	19,765,840
Employee benefits	4,947,525	—	4,947,525	4,770,028
Animal acquisition and transport	97,807	—	97,807	121,581
Animal supplies and forage	1,702,127	—	1,702,127	1,347,098
Repairs and maintenance	7,493,941	—	7,493,941	5,253,931
Telephone and utilities	3,332,485	—	3,332,485	3,024,360
Insurance	1,444,150	—	1,444,150	1,206,787
Office supplies and postage	129,305	—	129,305	118,782
Advertising	1,198,200	—	1,198,200	576,405
Use and unrelated business income tax	198,558	—	198,558	147,229
Other	3,208,439	—	3,208,439	3,186,880
Grants	1,946,163	—	1,946,163	1,506,539
Depreciation	16,558,382	—	16,558,382	15,488,599
Loss on disposal of assets	168,856	—	168,856	34,445
Amortization	11,950	—	11,950	11,950
Cost of goods sold	4,719,388	—	4,719,388	4,480,673
Management fee	400,000	—	400,000	—
Interest	321,000	—	321,000	321,000
Total expenses and losses	69,979,938	—	69,979,938	61,362,127
(Decrease) increase in net assets prior to transfers and change in beneficial interest	(4,892,363)	(3,454,889)	(8,347,252)	12,852,638
Transfers from (to) Omaha Zoo Foundation:				
Change in beneficial interest in related organization	—	1,435,393	1,435,393	(10,121,303)
Distribution – investment income	1,735,000	—	1,735,000	1,735,000
Distribution – construction/debt service costs	13,785,045	—	13,785,045	13,307,767
Contribution (to) from – other	(3,295,251)	—	(3,295,251)	1,206,362
Total transfers from (to) Omaha Zoo Foundation, net	12,224,794	1,435,393	13,660,187	6,127,826
Increase (decrease) in net assets	7,332,431	(2,019,496)	5,312,935	18,980,464
Net assets at beginning of year	296,652,387	42,197,144	338,849,531	319,869,067
Net assets at end of year	\$ 303,984,818	40,177,648	344,162,466	338,849,531

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended December 31, 2022

(with summarized financial information for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase in net assets	\$ 5,312,935	18,980,464
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	16,558,382	15,488,599
Amortization	11,950	11,950
Loss on disposal of assets	168,856	34,445
Gain on insurance recoveries for damaged property	(470,802)	—
Change in beneficial interest in related organization	(1,435,393)	10,121,303
Distribution from Omaha Zoo Foundation – investment income	(1,735,000)	(1,735,000)
Distribution from Omaha Zoo Foundation – construction and debt service costs	(13,785,045)	(13,307,767)
Distribution (from) to Omaha Zoo Foundation – contributions	3,295,251	(1,206,362)
Realized and unrealized gain on investments, net	(23,132)	—
Decrease (increase) in:		
Gift shop and food/beverage inventory	(151,137)	(79,361)
Receivables	104,073	107,753
Pledge receivable	1,330,504	(1,330,504)
Grants receivable	266,882	175,285
Prepaid expense	261,805	25,046
(Decrease) increase in:		
Accounts payable	(1,001,058)	1,558,264
Accrued payroll and payroll taxes withheld	(304,609)	934,473
Scholarships payable	—	(500)
Due to (from) Omaha Zoo Foundation	87,399	(72,454)
Deferred membership revenue	1,151,778	1,259,400
Net cash provided by operating activities	<u>9,643,639</u>	<u>30,965,034</u>
Cash flows from investing activities:		
Purchase of structures and equipment	(24,552,365)	(16,619,172)
Insurance proceeds for damaged property	4,462,644	—
Purchase of investments	(13,937,764)	—
Proceeds from sale of investments	11,000,000	—
Proceeds from sale of assets	—	(34,445)
Net cash used in investing activities	<u>(23,027,485)</u>	<u>(16,653,617)</u>
Cash flows from financing activities:		
Distribution from Omaha Zoo Foundation – investment income	1,735,000	1,735,000
Transfers from Omaha Zoo Foundation – construction and debt service costs	13,785,045	13,307,767
Transfers (to) from Omaha Zoo Foundation – contributions	(3,295,251)	1,206,362
Net cash provided by financing activities	<u>12,224,794</u>	<u>16,249,129</u>
Net (decrease) increase in cash and cash equivalents	(1,159,052)	30,560,546
Cash and cash equivalents at beginning of year	<u>39,931,851</u>	<u>9,371,305</u>
Cash and cash equivalents at end of year	\$ <u>38,772,799</u>	<u>39,931,851</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 321,000	321,000
Purchases of structures and equipment in accounts payable	1,620,478	1,101,712

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2022

(1) Summary of Significant Accounting Policies

The Omaha Zoological Society (the Society), a Nebraska nonprofit corporation, was organized to operate Omaha's Henry Doorly Zoo & Aquarium, as resolved by the City Council of the City of Omaha (the City) on September 8, 1964. The significant accounting policies followed by the Society are described below:

(a) Basis of Presentation

The Society maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. The financial statements of the Society, which have been prepared on the accrual basis of accounting, have been prepared to focus on the Society as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

The accompanying financial statements do not include the assets, liabilities, revenues, and expenses of the Society's related support organization, the Omaha Zoo Foundation (the Foundation), that should be consolidated in order for them to conform to GAAP. The Society has recorded its beneficial interest in certain net assets of the Foundation. The summarized condensed financial statements of the Foundation are presented in note 2.

The Society reports amounts for its total assets, liabilities, and net assets in a statement of financial position, the changes in its net assets in the statement of activities, and the changes in its cash and cash equivalents in a statement of cash flows.

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

- *Net assets without donor restrictions* – Net assets and contributions not subject to donor-imposed stipulations. The Society further tracks the delineation of net assets without donor restrictions between undesignated and board designated.
- *Net assets with donor restrictions* – Net assets and contributions subject to donor-imposed stipulations outlining a specific use or time restriction. After the donor-imposed time or purpose restriction is satisfied or after the board appropriates their expenditures in the case of gains and income realized on permanent endowment funds, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported within the statement of activities as net assets released from restrictions.

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Notes to Financial Statements

December 31, 2022

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets without donor restrictions.

(b) Cash and Cash Equivalents

Cash and cash equivalents represent cash and investments with original maturities of three months or less when purchased.

(c) Investments

Investments are recorded at fair value. Fair value of investments is estimated based upon market conditions and quoted market prices for the same or similar investments. All realized and unrealized gains and losses and income or loss arising from investments are accounted for in the statement of activities as increases or decreases to net assets without donor restrictions unless their use is restricted by donor stipulation or law.

(d) Gift Shop and Food/Beverage Inventory

Gift shop and food/beverage inventory are stated at the average historical cost.

(e) Receivables

Receivables are recorded at the invoiced amount and do not bear interest. Amounts collected on receivables are included in net cash provided by operating activities in the statement of cash flows. Receivables are net of an allowance for doubtful accounts based on historical write-off experience. As of December 31, 2022, no allowance was recorded.

(f) Structures and Equipment

Structures and equipment assets are recorded at cost or at appraised value at date of contribution. Depreciation of structures and equipment is provided over the estimated useful lives of the respective assets, which range from 3 to 39 years using the straight-line method.

(g) Animal Collection

The Society does not capitalize the animal collection due to the difficulty in establishing the value of animal accessions and deaccessions. Accordingly, sales and purchases of animals are recorded as increases or decreases in net assets as paid or received.

(h) Membership Income

Memberships sold are valid for one year from the date of purchase. Revenue is recognized and deferred on a straight-line basis over the period for which the membership is valid.

(i) Contributed Services

A substantial number of unpaid volunteers have donated a significant amount of time for the Society's program services. The estimated fair value of this contributed time is not reflected in the statement of activities as it is not practicable to estimate, and these services do not require specialized skills.

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December 31, 2022

(j) Contributions

Contributions, including unconditional promises to give due in future periods, are recognized as revenues in the period received. Contributions of cash, property, and equipment received without donor-imposed restrictions are reported as revenues of the net assets without restrictions class. Contributions of cash or other assets to be used to acquire or construct property and equipment are reported as revenues of the net assets with restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value at the date received.

(k) Grants

Grant agreements are generally considered nonexchange transactions and are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met.

(l) Long-Lived Assets

Long-lived assets, such as property, plant, equipment, and structures, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If carrying value is not recoverable, an impairment is recognized.

In 2022 the Society experienced property damage related to a hailstorm that impacted a portion of the Society's structures. The Society recorded an impairment charge of \$3,991,842, which was the amount by which the carrying value of the damaged structures exceeded the fair value. Due to the significance of the damage incurred and the nature of the assets impacted, the Society determined the fair value of the assets impacted was \$0.

(m) Insurance Recoveries

The Society records insurance recoveries when the realization of the claim is probable. In 2022, the Society received \$4,462,644 of insurance recoveries for property damage due to a hailstorm. \$470,802 was recorded as a gain on insurance recoveries and \$3,991,842 was recorded against related impairment charges.

(n) Use of Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management of the Society to make estimates and assumptions that affect the amounts reported in the statement of financial position and accompanying notes. Actual results could differ from those estimates.

(o) Tax-Exempt Status

The Society has been recognized as a not-for-profit corporation by the Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

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Notes to Financial Statements

December 31, 2022

The Society applies the provisions included in Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*. ASC Subtopic 740 provides specific guidance on how to address uncertainty in accounting for income tax assets and liabilities, prescribing recognition thresholds and measurement attributes. At December 31, 2022, the Society had no uncertain tax positions.

(p) Revenue

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied. Generally, this occurs at the point in time a sale is made for admissions, gift, food and beverage, etc. Membership revenue is recognized on a pro-rata basis over the term of the one-year membership agreement during which services are provided.

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. Sales, value add, and other taxes the Society collects concurrent with revenue-producing activities are excluded from revenue.

The following table disaggregates revenues and gains by major source for the year ended December 31, 2022:

Revenues:

Revenues from contracts with customers under ASC 606:	
Admission	\$ 18,676,385
Memberships	15,739,418
Food and beverage	8,371,104
Gift retail	7,189,739
Other revenue	<u>5,353,651</u>
Total revenues from contracts with customers	55,330,297
Grants, donations, investment income and insurance recoveries (1)	<u>6,302,389</u>
Total revenues	<u>\$ 61,632,686</u>

(1) Grants, donations, investment income and insurance recoveries do not represent revenues recognized from contracts with customers under ASC 606, are accounted for under ASC 958 *Not-for-profit entities* for grants, donations, and investment income and ASC 450 *Contingencies* for insurance recoveries.

Payment for memberships and other revenue are due upon issuance of the membership or sale of the good to be provided. In instances where the timing of revenue recognition differs from the timing of invoicing, the Society has determined that contracts generally do not include a significant financing component.

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Notes to Financial Statements

December 31, 2022

The Society records unearned revenue when consideration is received, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of service agreements. Unearned revenue from service agreements, which represents a contract liability, is recorded for fees that have been charged to the customer prior to the completion of performance obligations. Unearned revenue is recognized in the subsequent fiscal year. Unearned revenue earned in the current year totaled \$4,679,836. The Society expects to recognize all of the deferred membership revenue associated with service agreements as of December 31, 2022, in the subsequent fiscal year over the term of the membership agreement.

Under the revenue standard, companies may elect various practical expedients upon adoption. As a result, the Society elected the short term contract exemption associated with its membership revenue. The Society also elected to exclude sales taxes from transaction prices.

(2) Omaha Zoo Foundation

In 1984, the Foundation, a nonprofit corporation, was organized to solicit and receive contributions, gifts, grants, devises, and bequests, and to distribute and apply such assets and/or the income therefrom to or for the benefit of the Society. A majority of the board of directors of the Foundation are members of the board of directors of the Society. In connection with the organization of the Foundation, the Society transferred all endowment funds, including those designated by the board for that purpose, to the Foundation. The Society has elected not to consolidate the Foundation, which is required by GAAP. The Society has recorded an investment in certain restricted net assets with donor restrictions of \$32,111,131 at December 31, 2022, held by the Foundation for the benefit of the Society. For the year ended December 31, 2022, the Society has recorded its change in beneficial interest of \$1,435,393. If the Society were to consolidate the Foundation, assets and net assets would be increased by \$112,960,939 and \$111,989,531, respectively.

For the year ended December 31, 2022, \$13,785,045 was transferred from the Foundation to the Society for construction and debt service costs, \$1,735,000 of investment income was distributed to the Society, and a \$3,295,251 contribution was received by the Foundation from the Society.

In 2022, the Society paid the Foundation \$400,000 in management fees for staff salaries and park operating costs related to the housing and care of Society owned animals. The Society received \$125,443 from the Foundation in 2022 for human resource, accounting, and administrative services, which is recorded within miscellaneous revenue on the Society statement of activities.

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Notes to Financial Statements

December 31, 2022

A summary of the Foundation's statement of financial position and statement of activities as of and for the year ended December 31, 2022 is as follows:

Total assets	\$	145,072,070
Total liabilities	\$	971,408
Total net assets		<u>144,100,662</u>
Total liabilities and net assets	\$	<u>145,072,070</u>
Total revenues and gains	\$	5,882,462
Total expenses and losses		(6,295,071)
Transfers to Society – investment income		(1,735,000)
Transfers to Society – construction/debt service costs		(13,785,045)
Transfer from Society – contribution		<u>3,295,251</u>
Decrease in net assets		(12,637,403)
Net assets at beginning of year		<u>156,738,065</u>
Net assets at end of year	\$	<u>144,100,662</u>

(3) Structures and Equipment

Structures and equipment consist of the following at December 31, 2022:

Structures, exhibits, and improvements	\$	447,703,794
Furniture, fixtures, and equipment		12,014,174
Aerial tram		1,523,731
Train		2,926,173
Tram		209,165
Construction in progress		<u>5,561,637</u>
		469,938,674
Less accumulated depreciation		<u>(174,925,701)</u>
Net structures and equipment	\$	<u>295,012,973</u>

(4) City Subsidy

The Society extended its agreement to 2064 with the City to construct, operate, and maintain a zoo for the benefit of the general public. The agreement, as amended, provides that operating subsidies are to be provided by the City, dependent upon the Society and Foundation raising additional funds for endowment. Revenue of the Society from admissions and concessions must be used for the operation and maintenance of the zoo. At the expiration of the agreement, or if mutually terminated prior thereto, the Society agrees to convey right, title, and interest to all zoo property, both real and personal, to the City for the use and benefit of the City, and the general public.

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Notes to Financial Statements

December 31, 2022

(5) Debt Obligations

On April 13, 2015, the Society issued the County of Douglas, Nebraska Zoo Facility Revenue Refunding Bonds (Omaha's Henry Doorly Zoo and Aquarium Project), Series 2015 in the aggregate amount of \$15,000,000. Proceeds of the bonds were used by the Society to refund and redeem the County of Douglas, Nebraska's \$10,700,000 outstanding principal amount less the bond reserve funds on the Zoo Facility Revenue Refunding Bonds Series 2005, as well as other capital improvements. The bonds mature on May 1, 2025, and contain interest payments paid semiannually on May 1 and November 1 at a rate of 2.14%. The bonds issued in 2015 do not require a bond reserve fund. As of December 31, 2022, the Society was in compliance with the financial covenants associated with the outstanding bonds.

Bonds payable is presented on the statement of financial position net of issuance costs totaling \$14,972,614 as of December 31, 2022.

The Foundation has entered into a guaranty agreement, which unconditionally guarantees the full payment of principal and interest on the Society's bonds.

At December 31, 2022, the Society had a line of credit available. In 2022 the Society amended the line of credit to extend the maturity date to December 15, 2023, and reduce the borrowing capacity from \$10,000,000 to \$5,000,000. The line of credit carries a variable interest rate of 150 basis points plus the greater of zero percent or the one-month forward looking term rate based on SOFR, adjusted monthly. At December 31, 2022, the Society did not have a balance drawn on the line of credit.

(6) Fair Value Measurements

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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December 31, 2022

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

		Fair value measurements at December 31, 2022			
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Total					
Cash and cash equivalents	\$ 38,772,799	26,782,545	11,990,254		—
Corporate bonds	2,960,896	—	2,960,896		—
	<u>\$ 41,733,695</u>	<u>26,782,545</u>	<u>14,951,150</u>		<u>—</u>

(7) Net Assets with Donor Restrictions

Net assets are available for the following purposes as of December 31, 2022:

Subject to expenditure for a specified purpose:

Operating purposes	\$ 17,630,548
Deferred grants	1,502,242
New capital construction	19,116,441
Education and other	<u>597,538</u>
	<u>\$ 38,846,769</u>

Not subject to appropriation or expenditure:

Zoo operations	\$ 1,130,879
Owen sea lion pavilion	<u>200,000</u>
	<u>\$ 1,330,879</u>

(8) Release from Restrictions

Net assets were released for the following purposes for the year ended December 31, 2022:

Purpose restrictions accomplished:

Deferred grants	\$ 1,724,134
New capital construction	<u>3,435,725</u>
	<u>\$ 5,159,859</u>

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Notes to Financial Statements

December 31, 2022

(9) Benefit Plan

The Society sponsors a 401(k) retirement plan. The Society contributes to the plan monthly, based on each eligible participant's years of service. Eligible participants can contribute up to the maximum yearly deferral allowed by Internal Revenue Service regulations. Society contributions for the year ended December 31, 2022 were \$640,913, which are recorded within employee benefits on the Society statement of activities.

(10) Functional Expenses

The Society operates Omaha's Henry Doorly Zoo & Aquarium. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Society. Functional expenses by natural classification for the year ended December 31, 2022 are as follows:

	<u>Animal Care and Zoo Operations</u>	<u>Research and conservation</u>	<u>Education</u>	<u>Visitor services and marketing</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Expenses and losses:							
Salaries and wages	\$ 12,535,224	910,171	802,904	6,001,630	1,432,469	419,264	22,101,662
Employee benefits	2,816,567	210,787	239,790	1,347,746	257,672	74,963	4,947,525
Animal acquisition and transport	97,807	—	—	—	—	—	97,807
Animal supplies and forage	1,702,127	—	—	—	—	—	1,702,127
Repairs and maintenance	5,387,845	496,646	35,030	1,089,584	438,757	46,079	7,493,941
Telephone and utilities	3,332,485	—	—	—	—	—	3,332,485
Insurance	1,278,287	15,207	19,440	100,277	26,912	4,027	1,444,150
Office supplies and postage	22,592	2,378	—	27,666	56,999	19,670	129,305
Advertising	3,500	—	—	1,194,700	—	—	1,198,200
Use and unrelated business income tax	—	—	—	198,558	—	—	198,558
Other	530,713	287,998	4,368	1,535,967	840,728	8,665	3,208,439
Grants	155,365	992,984	797,374	—	440	—	1,946,163
Depreciation	16,558,382	—	—	—	—	—	16,558,382
Loss on disposal of assets	168,856	—	—	—	—	—	168,856
Amortization	11,950	—	—	—	—	—	11,950
Cost of goods sold	—	17,729	23,620	4,678,039	—	—	4,719,388
Management fee	400,000	—	—	—	—	—	400,000
Interest	321,000	—	—	—	—	—	321,000
Total expenses and losses	\$ 45,322,700	2,933,900	1,922,526	16,174,167	3,053,977	572,668	69,979,938

Departmental segmentation is used to allocate the natural expenses to the various functions, with the exception of CEO fundraising, employee benefits, insurance (workers compensation, property, general liability), and credit card processing fees. Twenty-five percent of CEO compensation and benefits was reallocated from Management and General to Fundraising. Employee benefits and workers compensation insurance were reallocated from Management and General to all functions based on each function's salaries as a percentage of total salaries. Finally, from Management and General, property and general liability insurance was reallocated to Animal Care & Zoo Operations and credit card processing fees was reallocated to Visitor Services & Marketing.

(11) Financial Assets and Liquidity Resources

As of December 31, 2022, the Society has a working capital balance of \$61,195,778 and average day's cash on hand of 285 days, based on normal expenditures.

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Notes to Financial Statements

December 31, 2022

The following table reflects the Society's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual, board or donor-imposed restrictions within one year of the balance sheet date:

Financial assets:	
Cash, cash equivalents, and investments	\$ 41,733,695
Less those unavailable for general expenditure within one year due to:	
Funds designated as board designated contingency fund	(8,452,693)
Funds designated to facility renewal and new capital projects	<u>(24,226,295)</u>
	<u>(32,678,988)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,054,707</u>

The Society structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Working capital and cash flows have seasonal variations related to zoo visitation and business levels. The designations related to the contingency funds and the facility renewal and maintenance project funds could be removed if the board approved that action.

(12) Endowment

The Foundation holds endowment funds for support of the programs and operations of the Society. These assets are reflected in the beneficial interest in net assets of related organization on the Society's statement of financial position. As required by GAAP, net assets and the changes therein associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Interest, dividends, and net appreciation of the donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purpose of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation

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December 31, 2022

- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policy of the Foundation

Endowment Net Asset Composition by Type of Fund

December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	2,771,748	2,771,748

Changes in Endowment Net Assets

Year ended December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ —	3,354,987	3,354,987
Investment return:			
Investment income	—	54,089	54,089
Net appreciation (realized and unrealized)	—	(487,631)	(487,631)
Total investment return	—	(433,542)	(433,542)
Appropriation of endowment assets for expenditure	—	(149,697)	(149,697)
Endowment net assets, end of year	\$ <u>—</u>	<u>2,771,748</u>	<u>2,771,748</u>

(a) Return Objectives and Risk Parameters

The Foundation's endowment funds are managed to produce a total return that meets its internal objectives over time in terms of generating cash flow to supplement Society operations and achieving some capital growth over the long run in order to protect the endowment capital against inflation. The Foundation's investment policy, investment objectives, target asset allocation, and investment returns as compared to index benchmarks are reviewed periodically by the board of directors. Based on these reviews, the investment policy, investment objectives, and target assets allocation are adjusted from time to time as the Foundation's objectives change and as capital market conditions warrant.

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Notes to Financial Statements

December 31, 2022

(b) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's endowment funds are managed against long-term asset allocation targets that are designed to meet the Foundation's long-term total return objective. In recent years, the Foundation has increased its allocation to equities in order to generate a higher return over time in order to replace investment income lost due to a declining interest rate environment. The Foundation's investment policy contains a number of risk control parameters, including allowable ranges for various asset classes, quality standards for individual securities, and diversification requirements.

(c) *Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy*

The Foundation appropriates distributions in its annual budget while considering the operations of the Foundation and the Society as well as expected investment returns and new endowment contributions. Annual appropriations generally range between 3% and 6% of the endowment fund's average fair value over the prior 12 quarters. Thus, the Foundation expects to achieve real growth of its endowment assets from the total return on investments as well as from the receipt of new gifts.

(13) *Subsequent Events*

On January 1, 2023, the Foundation transferred net assets of \$6,206,604 to the Society related to the Lee G. Simmons Conservation Park and Wildlife Safari.

The Society has evaluated subsequent events from the statement of financial position date through April 20, 2023, the date at which the financial statements were issued, and concluded that there were no additional events or transactions during this period that would require recognition or disclosure in the financial statements.