

Report to the Hamilton County Tax Levy Review Committee

Performance Review of the Cincinnati Zoo and Botanical Garden

Final Report
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Table of Contents

	Page
I. Overview of Engagement	1
II. Executive Summary (Overview of Major Observations)	2
III. Recent History and Overview of CZ&BG's Operations	7
IV. Corporate Structure	12
V. Organizational Structure	14
VI. Financial Analysis:	
Review of Past Financial Statements and Analysis of Trends	16
Balance Sheet Analysis	16
Short-term Financial Strength	16
Long-term Financial Strength	18
Capital Additions	19
Capital Replacement Needs	24
Review of Maintenance Expenditures	25
Bank and Bond Debt Analysis	27
Line of Credit	27
Notes and Bonds Payable	27
Notes Payable	27
Bonds Payable	27
Operating Results and Change in Net Assets	27
Trend Analysis 2018 vs. 2023	33
Operating Revenues and Attendance	34
Analysis of Past and Present Sources of Funding (Gifts, Grants, and Donations)	37
Alternative Sources of Funding Utilized Before Tax Levy Funds	39
Endowment Fund Activity	41
Investment Income	42
Review of Past CZ&BG Tax Levy Information	43
Operating Expenses	43
Review of Expenses by Department	48
Interest and Depreciation	52
Depreciation	52
Revenue and Expenditure Projection Analysis for the Upcoming Levy Period	53
VII. Operations Analysis:	56
Effectiveness of Strategic Planning	
Review of Past Accreditation Reviews and CZ&BG Responses	
Review of Insurance Coverage	
Review of Major Contracts	
Review of Farm Operations	
Cash Management Policies and Procedures	
VIII. Benchmarking Analysis	69

Report to the Hamilton County
Tax Levy Review Committee
Performance Review of the Cincinnati Zoo and Botanical Garden

Table of Contents (continued)

	Page
IX. Possible Threats to CZ&BG During the Next Tax Levy Period	83
X. Summary Findings	84
XI. Recommendations	88
XII. Appendices:	90
Appendix A: A Summary of Consolidated Audited Financial Statements	
Appendix B: CZ&BG's Response to 2017 HW&Co. Report	
Appendix C: Strategic Plan Document	
Appendix D: Tax Levy Flyer	
Appendix E: CZ&BG Organizational Chart	

Exhibits

Exhibit Number		Page
1	Short-Term Financial Strength Analysis	17
2	Short-Term Financial Strength Analysis – Unrestricted Working Capital	17
3	Long-Term Financial Strength Analysis	18
4	Property and Equipment Analysis	19
5	Capital Expenditures & Major Maintenance Five-Year History 2018-2022	20
6	Ten-Year Forecast of Capital Replacement Needs for Buildings and Exhibits in Place	25
7	Maintenance and Repair Expense - Budget vs. Actual	26
8	Operating Income (Loss) Analysis	28
9	Direct Operating Income (Loss) Analysis by Department	30
10	Direct Operating Income (Loss) Analysis by Admission	32
11	Trend Analysis 2018 vs 2013	33
12	Attendance Analysis	34
13	Operating Revenue Analysis	35
14	Park Operating Revenue Per Admission	36
15	Revenue Variance Analysis	36
16	Funding Source Trends	37
17	Gifts, Grants and Donations 2018-2022 Totals and Averages	38
18	Gifts, Grants and Donations Analysis	39
19	Endowment Fund Summary of Activity	41
20	Endowment Fund Summary of Restricted vs. Unrestricted Fund Balances	42
21	Investment Income Analysis	42
22	Tax Levy Funding Analysis	43
23	Tax Levy Revenue Per Admission	43
24	Operating Expenses	44
25	Salaries and Wages Expense Analysis	44
26	Full-Time Employee Count	46
27	Salaries and Wages Expense Analysis - Cost Per FTE	47
28	Salaries and Wages Per Admission	47
29	Animal Care and Health Expense Analysis	49
30	Horticulture Expense Analysis	49
31	Membership and Park Operation Expense Analysis	49
32	Facilities and External Properties Expenses Analysis	50
33	General and Administrative Expense Analysis	50
34	Events and Group Functions Expense Analysis	50
35	Education Expense Analysis	51
36	Crew Expense Analysis	51
37	Fundraising Expense Analysis	51
38	Interest Expense by Operating Category Analysis	52
39	Depreciation by Operating Category	53
40	Actual and Forecasted Operating Expenses for Cash Flow Analysis	53
41	Five Year Projected Operating income and Cash Flows	54
42	Consideration of an Inflationary Increase to Levy Revenue	55
43	Qualifying Area Expenditures Paid by Levy vs. Internally Funded	61

Exhibits (continued)

Exhibit Number		Page
44	Contract Analysis – The Concessionaire Agreement	64
45	Warren and Clermont County Financial Analysis	66
46	Trip Advisor Visitor Rating	71
47	Benchmarking – Peer Group Analysis	72
48	Benchmarking – Cincinnati Area Attractions	73
49	Three-Year Attendance History	73
50	CZ&BG Direct Operating Revenues per Admission vs. Consumer Price Index	74
51	Operating Results Revenue vs. Expense Chart	75
52	Operating Results before Levy Funds, Gifts, Fundraising, and Depreciation	76
53	Cumulative Change in Direct Operating Revenues vs. Cumulative Change in Direct Operating Expenses	76
54	Net Operating Revenue and Expense per Attendee	77
55	Net Operating Income per Admission vs. Total Attendance Percentage Change	78
56	CZ&BG Executive Compensation Analysis	80
57	Compensation Analysis Comparing CZ&BG to AZA Member Zoos	81
58	Annual Levy Support for Ohio Zoos Comparison Analysis	82

I. Overview of Engagement

We have been engaged to conduct a performance review of the Cincinnati Zoo and Botanical Garden, collectively referred to throughout our report as "CZ&BG." The objectives of this report as outlined in the Consulting and Services Agreement between the Board of County Commissioners, Hamilton County, Ohio and Howard, Wershba and Co. (HW&Co.) are as follows:

- Evaluation of current operating efficiency
- Compliance with, and maximization of, current contract with Hamilton County
- Review of Comparative Data
- Recommendations for Tax Levy contract provisions between Hamilton County and the CZ&BG, assuming successful passage of the proposed Tax Levy
- Recommendations for costs savings and/ enhancements

For financial reporting purposes, the CZ&BG financial statements are consolidated with the Cincinnati Zoo Foundation (the "Foundation"). The financial reporting is consolidated because the CZ&BG can exert control over the Foundation through the selection of trustees. Our analysis addresses both the CZ&BG and the Foundation.

We were not engaged to and did not conduct an audit of any of the information in this report. Accordingly, we do not express an opinion on the accuracy of the information contained in this report. If we had performed additional procedures, other matters might have come to our attention.

We would like to thank the scores of individual staff members and leadership personnel who took the time to answer our questions during the research stage of the report. In particular, we would like to mention Lori Voss. Without her gracious and helpful cooperation, our findings would have been less conclusive and would not provide the talking points so necessary for serious consideration of the Tax Levy proposal.

We appreciate the opportunity to be of service to the Hamilton County Tax Levy Review Committee for the Performance Review of the Cincinnati Zoo and Botanical Garden.

HW&Co.

A handwritten signature in black ink, appearing to read "HW&Co.", with a stylized flourish at the end.

II. Executive Summary (Overview of Major Observations)

The beginning of the current levy cycle is marked by the end of the \$50 million capital expansion that included multiple “Africa” themed exhibits as well as the completion of the \$12 million Gorilla World exhibit.

The commencement of the current levy period marks the start of the newest major expansion plan called “More Home to Roam” (MH2R) with a present total cost estimate of \$160 million. The first phase of the expansion, “Roo Valley and Penguin Point” opened in August 2020. This phase includes a themed holding building, aerial ropes course, the Hops Restaurant and Beer Garden and underground water collection tanks. The last major phase of MH2R will include million-gallon storm water tanks installed under a new Elephant Trek exhibit called Elephant Trek that will include a 22,000 square foot Elephant Barn with communal and off-habitat spaces for elephants.

The CZ&BG ended the last levy cycle with positive attendance momentum and while still dependent on Hamilton County for funding, the CZ&BG had established a pattern of self-funding an increasingly higher percentage of its direct operating expenses. This trend has continued as operating revenues increased at a greater rate than operating expenses for all fiscal years, except fiscal 2021 which was negatively impacted by the COVID-19 pandemic.

In the midst of the CZ&BG’s positive momentum and expansion, the World Health Organization characterized COVID-19 as a pandemic with multiple jurisdictions in the United States declaring a state of emergency. Many states, including Ohio, issued “stay-at-home” orders for non-essential businesses. This caused CZ&BG to close to the public on March 15, 2020 until they re-opened to state mandated limited capacity on June 10, 2020. While potentially devastating, the CZ&BG’s management was able to successfully navigate the pandemic by reducing expenses primarily through large staff reductions but also by garnering community support that resulted in increased unrestricted gifts. These measures were further aided by Government stimulus funding that resulted in the CZ&BG being financially stronger in 2022 than they were in 2019 and are highlighted in the following four observations.

- On April 7, 2020, CZ&BG obtained \$2,950,000 under the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). The PPP funds started as a loan that was subsequently forgiven in September 2021, because the funds were used for payroll and other qualified operating expenses under the terms of the agreement with the SBA.
- During fiscal 2022, CZ&BG received \$10.0 million from the SBA under the Shuttered Venue Operators Grant program. These funds were required to be spent on qualifying expenses as defined in the grant agreement. Allowable expenses included payroll, utilities, maintenance, administrative costs, scheduled debt payments, advertising, production, transportation, depreciation and capital expenditures related to producing a live performances or exhibitions. CZ&BG determined that they had incurred such qualifying expenses and recognized the full amount in gifts, grants, and donations in the consolidated statement of activities.
- During 2021, the Foundation funded \$1.2 million of Voluntary Separation Packages (VSP) and Voluntary Retirement Packages (VRP) that were offered to full-time employees in the form of several months of pay and benefits as a result of COVID-19 and its impact on the CZ&BG’s operations. The CZ&BG laid off all the part-time and seasonal employees and offered VRP to full-time employees, which allowed CZ&BG to reduce its headcount voluntarily and maintain their mission and purpose.

- During the pandemic the CZ&BG was able to maintain public interest through the use of social media in effective and creative ways that resulted in increased public support and increased unrestricted gifts.

Attendance momentum carried into the current levy period with record attendance of 1.81 million visitors in fiscal 2018. Attendance stayed strong in 2019 and 2020 before falling substantially in 2021 during the pandemic. With the pandemic behind the CZ&BG, attendance has come back to 1.64 million visitors for fiscal year 2022 and 1.73 million visitors for the most recent fiscal year ended March 31, 2023, which is considered a success.

From 2018 to 2022 unrestricted working capital has meaningfully increased by \$10.6 million as a result of operating income surpluses further aided by the government stimulus funds mentioned above. It appears that CZ&BG has adequate current assets to meet CZ&BG's current obligations with excess working capital in place to contribute to long term sustainability.

The overall long-term financial strength of the CZ&BG has improved between 2018 and 2022. During this period, net assets with capital-related items excluded, increased by \$18.5 million, an indication the recent trend in overall long-term financial health is a favorable one. It is also commendable that capital expansion over the recent levy period was not funded by long-term debt.

Daily attendance returning to pre COVID levels, along with other factors such as an intensified focus on memberships, enhanced attractions, programming, increased commissions from the new beer garden and food truck sales, increased sponsorships and designated gifts has resulted in a \$3.3 million increase in annual direct operating revenues between 2018 and 2022. Over the same period, annual operating expenses have decreased by \$863 thousand, a considerably lower number than the corresponding revenue increase as the CZ&BG continues to run lean after the necessary expense reductions made during the pandemic. Self-funding a higher percentage of its direct operating expenses is a trend that has continued for the last two levy cycles. This is a strong indication that the CZ&BG are good stewards of the tax levy funds provided by Hamilton County.

We believe the CZ&BG has taken a number of strategic actions that we believe will benefit the next levy cycle. Prior concerns that attendance at the CZ&BG was approaching maximum capacity, in part due to only having 2,500 parking spaces is expected to be partially addressed when more spaces come on line when MH2R is completed, however exact plans are not finalized. Existing parking has been further enhanced by the bridge to the expanded parking lot completed in 2022. While additional parking was added it only replaced existing parking that was lost to the new Elephant Trek expansion under construction. Enhanced revenues from the new beer garden and food trucks that benefited 2022 and 2023 should continue to provide increased returns. The advent of dynamic ticketing has also been a success resulting in increased attendance revenues. Strategic moves including the million-gallon storm water tanks being installed under the Elephant Trek exhibit as well as an expansion in the CZ&BG's solar array (both paid for by donor funds) are expected to partially offset otherwise rising utility costs. Also, while seemingly obvious, we believe the Elephant Trek expansion and other new exhibits under development will create excitement that will generate increased attendance and revenues well into the next levy cycle.

The recent operating results are encouraging with operating revenue increasing by 18.12% from 2018 to 2023 (20.11% if the tax levy revenue is excluded). Over the same period operating expenses excluding depreciation and interest increased by 11.96%, a substantially lower rate of increase than revenues. On an average annual basis revenues increased by 3.62% per year (4.02% with the tax levy revenue is excluded) while expenses increased by 2.39%.

While recent operating results are undeniably positive we recognize a number of negative headwinds. First and foremost salaries, wages and benefits have increased by 30.6%, measured from 2018 to 2023 or 6.1% on an average annual basis. Furthermore, Management is forecasting an additional 7% increase in 2024 due to increased competition for seasonal workers, additional full time positions Management wishes to fill and negotiated increases to existing union and non-union employees. At the beginning of the current levy cycle salaries, wages and benefits made up 58% of all operating expenses (depreciation and interest excluded). Salaries, wages and benefits now account for 76% of all operating expenses, dwarfing all other costs. We attribute some of the success of the last two years to efficiencies put in place due to the COVID-19 pandemic. With the pandemic substantially behind us we believe there is a risk that some of the cost saving measures put in place that have benefited the last three years will prove to be temporary. And finally inflationary pressures are expected to continue to influence all of CZ&BG non-wage expenses for at least the next year. This includes utility costs which are expected to rise in the near future when a favorable contract with Duke Energy expires. We believe these negative headwinds are addressed in the forecast analysis presented in this report.

From 2018 to 2022, the CZ&BG has benefited not only from increases in operating revenues tied to attendance but also from unrestricted gifts, fundraising and sponsorships. These latter sources of funding played an important role in the CZ&BG's overall positive operating results during this period.

These positive results make it more challenging to confront the risks inherent in a situation in which direct operating expenses are increasing at the same time the CZ&BG's infrastructure reinvestment and replacement needs are also growing at a potentially unsustainable pace. While direct operating revenues are largely driven by attendance, which can vary significantly from year-to-year and can change due to outside factors, a large percentage of the CZ&BG's expenses are fixed, and, therefore, must be met whether attendance is up or down.

This concern is accentuated by the fact that the fixed expenses of the CZ&BG are expected to rise substantially during the foreseeable future due to wage and general inflation as well as the due to the current expansion in progress. It is an overall positive that all of the expansions have been paid for in large part by private support, not by levy funds. However expansion brings along with it long-term increases in future operating expenses and future capital reinvestment that should be incorporated into the CZ&BG's strategic plan.

Before the current expansion of the CZ&BG comes to a conclusion, we believe a long-term plan for the funding of future capital reinvestment should be put into place and should take precedence over future expansion.

While not technically independent, it appears that the Foundation is functioning more independently, which we believe is beneficial to the CZ&BG. One of the Foundation Board's primary missions is to provide the Society with financial support in the form of increased endowment funds. The Society and Foundation essentially function together as one entity to effectively succeed at this mission. While we believe making the Foundation independent from the Zoological Society could be a long-term benefit to the CZ&BG, the recent results support the continued structure.

It should be noted that we believe the CZ&BG is performing well with respect to corporate governance goals with an appropriate organizational structure, an efficient committee structure, and a high level of both accountability and transparency.

Our analysis of its Agreement with Hamilton County and the Zoological Society of Cincinnati indicates that the CZ&BG is in compliance with the majority of the terms and conditions. From 2017 to 2023 the amount of qualifying expenses self-funded by the CZ&BG increased from 57.2% to 61.3%. This exceeds the 30% that the contract currently requires the CZ&BG to self-fund. It is worth pointing out, though, that the Agreement's current provisions do not include clear or specific goals to reduce future reliance on levy funds.

We identified two compliance issues regarding the Agreement with Hamilton County and the Zoological Society of Cincinnati.

In our opinion the CZ&BG was required to notify the County regarding the receipt of the \$10 million Shuttered Venue Grant under the terms of their contract with Hamilton County.

Under the contractual Hamilton County Resident Program the CZ&BG is required to provide half-priced admission to residents for one (1) full weekday, and two (2) part weekdays (or, at the Zoo's option, two (2) part weekend days after 4 p.m.), each year between the dates of May 15 and September 15. We understand this program was stopped in 2020 and has not been reinitiated as required by the agreement. Later in our report we recommend that the Hamilton County Residents half-priced admission be continued and potentially expanded as part of the next Agreement with Hamilton County and the Zoological Society of Cincinnati.

As the current levy cycle comes to an end the CZ&BG has achieved success, seemingly at every level of operations. Operating profits are strong, fundraising efforts have been successful, the CZ&BG has a healthy balance sheet, endowment funds have increased to historic highs and they are on track to complete a \$160 million expansion, without incurring additional long-term debt. In the shadow of these achievements we have identified the following threats.

Risk that in the face of a labor shortages the CZ&BG will be unable to attract and hire workers at current projected wages levels.

Risk that the dependence on revenues generated by historically high attendance to offset increasing fixed operating costs, unfunded capital reinvestment and maintenance, and possible future decreases in gifts and donations could become unsustainable.

Risk that Management's annual budget for major maintenance projects and reinvestment which has increased from \$2.5 million in 2018 to \$5 million today will continue to rise.

Risk that the current practice of funds being deployed for major maintenance projects, upgrades and refurbishments only after immediate needs have been met is lacking a strategic plan. This "linkage" between operating surpluses and reinvestment poses the risk that, should operating cash flows go negative, infrastructure will be neglected.

Risk that while the endowment fund grew from \$19 million to \$27 million over the last five years it is possible that the current endowment fund remains not strong enough to act as a safety net for the CZ&BG, in light of the ongoing expansion and increased fixed operating costs.

Risk that the continuing trend toward increases in Federal, State, Municipal and AZA regulations with which the CZ&BG must comply will likely continue and conformity to such regulations will potentially entail even more increases in the CZ&BG's operating expenditures.

Risk that potential population shifts or a shift in public support could affect the availability of future tax levy funds.

Risk that the CZ&BG's current strategic plan does not include a long-term financial plan, to build reserves to pay for future major repairs and refurbishments.

Our benchmarking analysis indicates that the CZ&BG has an excellent reputation on a local, regional, and national basis. The CZ&BG was ranked in the Top Ten on five of the seven "Top Ten U.S. Zoos" websites that we reviewed. In Ohio, attendance at the CZ&BG is second only to that of the Columbus Zoo, and exceeds

attendance at regional zoos in Indianapolis, Louisville and Pittsburgh. The admission price at the CZ&BG is in line with that of comparable zoos, while its operating costs compare favorably to other Ohio zoos both in total and on a per admission basis. Further, the CZ&BG admission price appears to be quite reasonable when compared to prices for other regional entertainment attractions. The CZ&BG's management compensation also exhibits meaningful correlation with other Ohio and regional zoos. When comparing compensation to the AZA compensation study, CZ&BG is in the 75th percentile when compared to their Midwest peers but in the 25th to 50th percentile when compared to their peers operating zoos of similar size.

Finally, through the preparation of a hypothetical forecast, we address the ability of the CZ&BG to meet its community need without ongoing increases in the Tax Levy. To address this task we focused on recent historical results, Management's forecast for 2024 and the use of what we believe are conservative assumptions. The result of our analysis indicates that even if operating results decrease from current levels and the current levy is renewed without an increase, cash flows are expected to remain positive. This is an indication the current financial outlook does not support an increase to the levy.

While the assumptions used for the hypothetical forecast were conservative in nature, we acknowledge that an unexpected material downturn in attendance or reversal in community support, resulting in reduced unrestricted gifts could reduce cash flows below the level required to afford the CZ&BG the ability to self-fund capital reinvestment. We also concluded that the primary benefit of increasing the levy for inflation would be an increase in the CZ&BG's ability to self-fund capital reinvestment.

III. Recent History and Overview of CZ&BG's Operations

Our overview of the CZ&BG's recent history and operations begins with the fiscal year ending March 31, 2018, at a time when the CZ&BG was experiencing record attendance with 1.8 million people visiting the property during the first year of this analysis. The record attendance achieved in 2018 was attributed in large part to Fiona, the baby hippopotamus phenomenon, however to the CZ&BG's credit, attendance remained elevated over historical norms until being forced to close to the public on March 15, 2020, for approximately three months due to the COVID-19 pandemic.

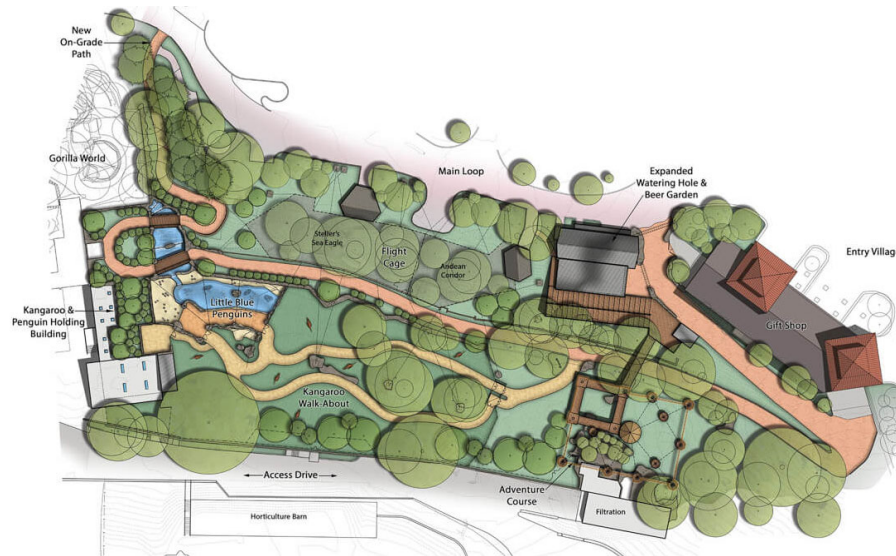
The uncertainties and challenges brought on by the COVID-19 pandemic were unprecedented for the CZ&BG and their early response included stocking up on food and medicine in the face of supply chain issues, laying off all part-time and seasonal staff members and tasking the remaining staff and management with new and expanded responsibilities. When the CZ&BG reopened to the public on June 10, 2020 limitations on attendance and enhanced safety guidelines were put in place to protect the public, staff and animals. Many of these limitations put further financial strain on CZ&BG. On June 1, 2021, masks became optional for fully vaccinated guests making fiscal year 2022 the first full semi-normal year for the CZ&BG. 2022 attendance was lower than pre pandemic levels coming in at 1.6 million visitors, however 2023 attendance is trending higher, exceeding 1.7 million for the recently ended fiscal 2023 year end.

The COVID-19 pandemic was a major financial challenge for the CZ&BG. Much of what could have been a financial disaster was ultimately relieved due to actions taken by Management and the receipt of government stimulus funds that will be further covered in the body of this report.

The CZ&BG continued to expand during the current levy cycle. Early during fiscal year 2018, phase III of "Africa", the largest animal exhibit in the CZ&BG's history was completed followed closely by the completion of Gorilla World, a major expansion of a current exhibit that provides multiple gorilla family groups with access to naturalistic settings, natural daylight, and large interactive spaces, promoting healthy interaction among family members. Gorilla World includes cutting-edge holding facilities that modernize and greatly improve the off-exhibit holding and living areas for the CZ&BG's gorillas.



In 2018, the CZ&BG announced its newest major expansion plan called "More Home to Roam" on the heels of a large donor contribution. The first phase of the expansion, "Roo Valley and Penguin Point" opened in August 2020 (the aerial ropes course opened later in 2021). This phase includes a themed holding building, aerial ropes course, the Hops Restaurant and Beer Garden and underground water collection tanks.



The exhibit winds through a pedestrian loop that crosses an artificial stream and waterfall. The habitat for the Kangaroos was designed to be immersive by bringing the visitor path into the habitat so that the Kangaroos can be viewed without separation barriers. The Roo Valley also features a high-ropes course that looks out across Roo Valley. The course is designed to be accessible to all, including those in wheelchairs, which is the first of its kind in the Midwest.

During September 2019, the CZ&BG opened a 130-seat craft beer garden that features local and national beers as well as a variety of locally sourced food items.



The beer garden overlooks the new Roo Valley exhibit and appears to be drawing in new members due to the unique nature of the property.



Expanded ticketing facilities required to handle the increasing attendance were completed in 2020 as part of MH2R.



During 2020, renovation of the old Sea Lion habitat to a new African Penguin was included in MH2R replacing the old African Penguin habitat in the Children's Zoo.





Completed during 2022 as part of MH2R, the the new bridge and ramps that connect the expanded parking lot is a mix of new development and reinvestment.

As of the date of this report the next phase of the “More Home to Rome” project is under construction. This major phase will include million-gallon stormwater tanks installed under a new Elephant Trek exhibit. Elephant Trek will include a 22,000 square foot Elephant Barn with communal and off-habitat spaces for elephants as well as areas for year-round visitor viewing and events. This phase will not only create a state of the art elephant exhibit that is five times larger than the existing exhibit but will also result in 98% of the CZ&BG’s water needs being met using collected rainwater.



Also, under construction are two smaller but meaningful projects. A new Zoo Carousel with 65 “horses” near the main entry and a refresh to the CZ&BG’s Bear Hill that was built in 1937. When finished the new exhibit “Bear Ridge/Sea Otter Coast” will offer more intimate views of bears, foxes, porcupines, and sea otters.

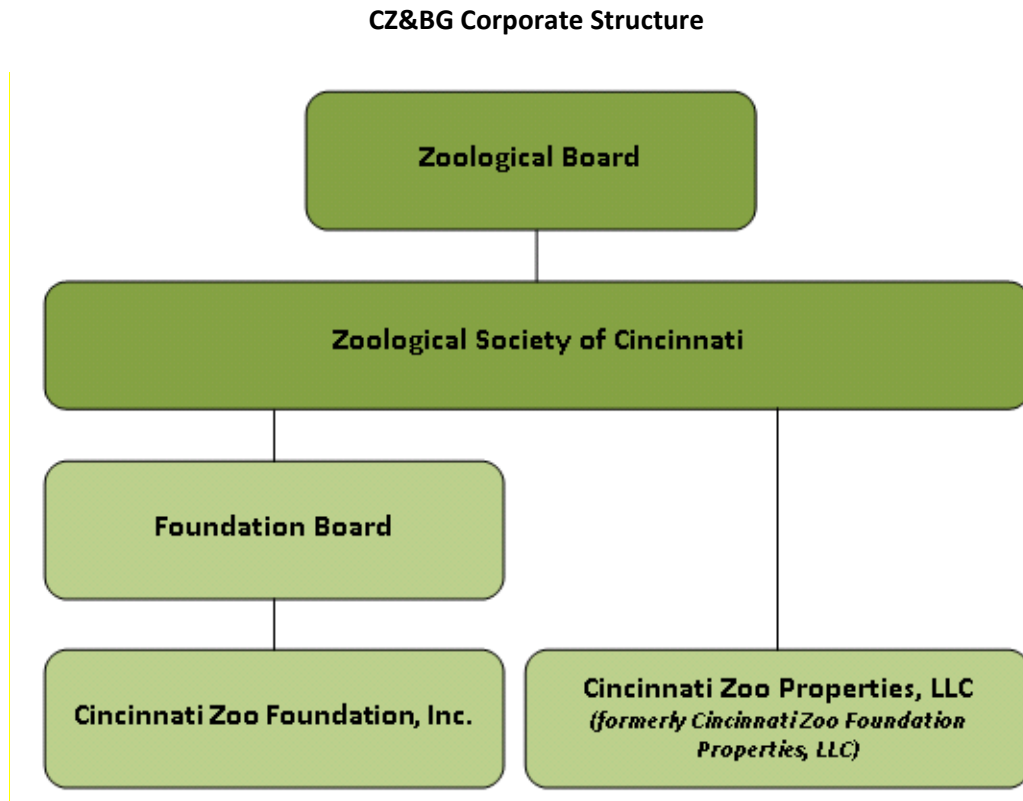
The Cincinnati Zoo & Botanical Garden's mission includes "serving the community". Fulfilling this portion of the mission, serving the community, CZ&BG partnered with the community in the Rockdale Urban Learning Garden. A few area organizations funded the creation and construction of the garden previously a vacant lot in the Avondale neighborhood. The land was converted into a garden of vegetables, trees and plants including a pollinator garden. When the garden was opened in 2021, CZ&BG committed to providing continuing maintenance and support. The garden located adjacent to Rockdale Academy provides the students as well as community members with the opportunity to experience horticulture, agriculture, and science in the outdoors.



Summary Finding

The CZ&BG proved during the current levy cycle that they are a resilient and well run organization. They remain focused on the expansion and improvement of the already world class zoo and botanical gardens and are committed to supporting the CZ&BG neighborhood.

IV. Corporate Structure



Beginning July 1, 1957, the Zoological Society of Cincinnati (the "Society") entered into a series of contracts with the City of Cincinnati, under which it agreed to operate and maintain all of the real and personal property of the City known as The Cincinnati Zoo and Botanical Gardens. The contract expires December 31, 2061. The Society is committed to the understanding and preservation of wildlife and our living world through naturalistic exhibits of animals and plants, scientific research, education, and active cooperation with a worldwide network of conservation organizations.

In 2000, the Zoo General Operating Endowment Trust Fund was transferred from the Society to the Cincinnati Zoo Foundation, Inc. (the "Foundation"). The purpose of the Foundation is to perform fundraising functions and provide financial support for the benefit of the Society. All funds held by the Foundation are for the benefit of the Society. The Society can exert control over the Foundation through the selection of Foundation trustees. The extent of the control is such that for audit purposes the Foundation is consolidated into the financial statements of the Society.

In 2005, the Cincinnati Zoo Foundation Properties LLC (the "Properties LLC") was set up as an arm of the Foundation. The purpose of the Properties LLC is to buy, sell, and hold the real property of the Foundation. During 2011, ownership of Properties LLC was transferred from the Foundation to the Society and renamed as Cincinnati Zoo Properties, LLC. During the current levy period, both entities made minor amendments and restatements to their respective Codes of Regulations.

The Articles of Incorporation and the Code of Regulations of the Society and the Foundation were reviewed and appear to be in order and adequate for the effective corporation governance of these two entities.

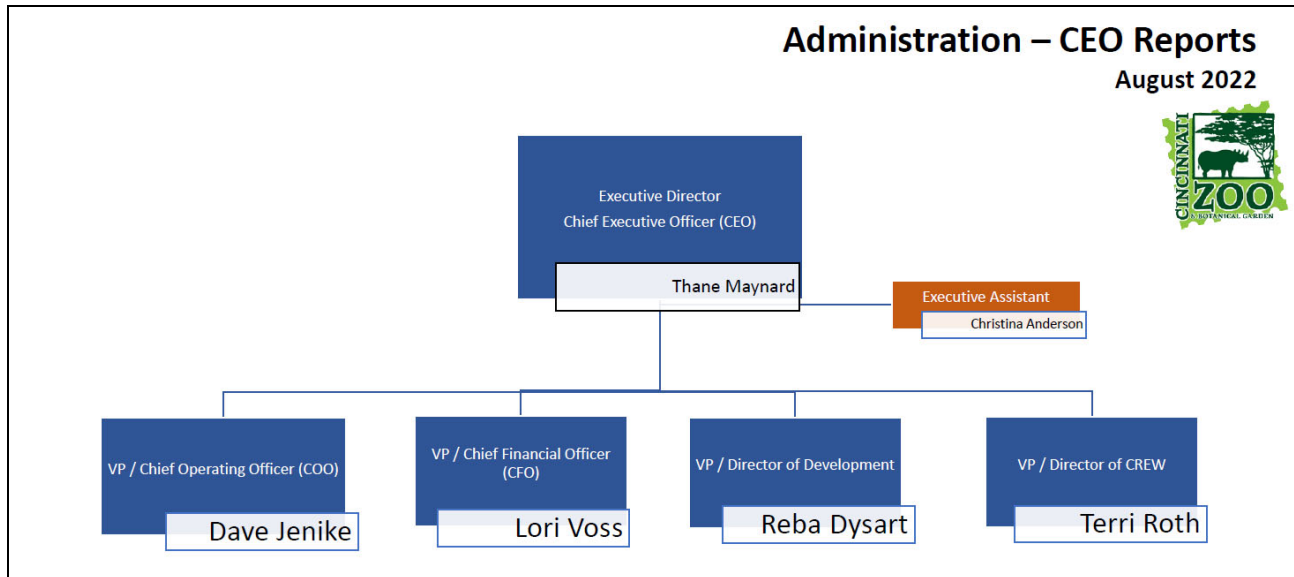
The current organization structure allows the Society and Foundation to function as one entity, which appears to streamline the decision-making process regarding the use of Foundation funds. While the historical structure has not changed, Management has indicated that the Foundation's board leadership has changed and is more interactive with the CZ&BG's Board regarding the use and purpose of funds, the size of a proper endowment, future ways to grow the endowment, etc. One of the Foundation Board's primary missions is to provide the Society with financial support in the form of increased endowment funds; It appears that the Foundation has become more independently functioning which we believe is beneficial to the CZ&BG.

Summary Finding

While not technically independent, it appears that the Foundation is functioning more independently, which we believe is beneficial to the CZ&BG. One of the Foundation Board's primary missions is to provide the Society with financial support in the form of increased endowment funds. The Society and Foundation essentially function together as one entity to effectively succeed at this mission. While we believe an independently functioning Foundation could be beneficial to the CZ&BG, the recent results support the continued structure.

V. Organizational Structure

The CZ&BG's current structure reflects a thoughtfully planned layout of roles, responsibilities, and reasonable hierarchies. Lines of reporting in the organizational chart are logical and would appear to promote operational efficiencies. The following exhibit represents the top of the CZ&BG's current organizational structure. The full organizational chart is presented in Appendix F.



Our topical review of the Board Committee structure concludes that it is logical and appears to effectively support the mission and the corporate governance needs of the CZ&BG. The memberships of the Board committees appear to be appropriate. The Audit Committee is composed of independent parties with the Vice President of Administration & CFO, Lori Voss, acting as a non-voting staff along with the Executive Committee Chairperson.

Accountability and Transparency

According to the two leading nonprofit rating agencies, Charity Navigator and Guide Star, CZ&BG has earned high marks for accountability and financial performance.

Charity Navigator gives CZ&BG four stars out of four stars and an overall score of 92% for its Accountability & Finance Performance. Organizations that receive four stars are deemed to “exceed or meet best practices and industry standards across almost all areas, and likely to be a highly-effective charity.” CZ&BG earned the maximum points, which Charity Navigator calls “full credit” in most criteria evaluated. Under the Financial Metric partial credit was earned for CZ&BG's Liabilities to Assets Ratio and Program Expense Growth and “no credit” was given in the area of transparency for easy accessibility to the “Donor Privacy Policy,” “Audited Financials,” and the “Form 990.” Charity Navigator specifically looks for these items on an organization's website.

GuideStar provides “Seals of Transparency” when a nonprofit shares information on GuideStar. The type of information a nonprofit provides determines which Seal it earns. The levels are:

- Bronze: basic information so your organization can be found
- Silver: program information and brand details
- Gold: financials and people information
- Platinum: goals and the difference you're making

CZ&BG earned a silver seal.

CZ&BG is to be commended for participating in the Seal of Transparency. Approximately 10% of all nonprofits have taken the initiative to share organization information on GuideStar, with nearly half receiving a bronze seal and only 20% receiving a silver seal as CZ&BG has.

Summary Findings

CZ&BG is performing well with respect to the corporate governance goals of an appropriate organizational structure, an efficient committee structure, and a high level of both accountability and transparency.

VI. Financial Analysis

Review of Past Consolidated Financial Statements and Analysis of Trends

Our financial analysis of the CZ&BG is based on our review of historical audited consolidated financial statements and internal trial balance and general ledger data provided by management. A summary of the 2018-2022 balance sheet and operating results is included in Appendix A. We have focused on five years of data covering years ended March 31, 2018-2022. March 31, 2022 is the most recent audited year available. We have also included select data from preliminary March 31, 2023 unaudited information.

For financial reporting purposes, the CZ&BG financial statements are consolidated with the Cincinnati Zoo Foundation (the "Foundation"). The financial reporting is consolidated because the CZ&BG can exert control over the Foundation through the selection of trustees. Our analysis addresses both the CZ&BG and the Foundation.

We began with an analysis of the historical and current financial strength of the CZ&BG by analyzing the makeup of the balance sheet. We then reviewed historical capital expenditures and how they have been funded as well as the status of current and future capital projects.

Our operating results analysis segregates direct earned revenues and direct expenses (which correlate with attendance, animal care, and park operations) from other sources of funds such as levy support, gifts, grants, and donations and from other expenditures such as those for fundraising, capital projects, and major maintenance.

The CZ&BG receives gifts, grants, and donations that are either restricted by the donor for a specific use or are unrestricted and therefore to be spent or invested at the discretion of the CZ&BG Board. We have prepared an analysis of the historical volume of these funds and how the funds have been used. Finally, the usage and overall impact of historical levy funding provided by Hamilton County has been quantified in our analysis.

Balance Sheet Analysis

A summary of the CZ&BG's audited 2018-2022 balance sheets are presented in Appendix A. The data from the following financial strength, capital additions, capital budgets, and debt analysis was derived from the 2018-2022 audited consolidated statements supplemented by additional information provided by CZ&BG management.

Short-term Financial Strength

We measured the short-term financial strength of the CZ&BG by calculating unrestricted working capital for 2018-2022, defined as restricted and unrestricted current assets less current liabilities, pledges, and funds related to capital improvements and donor-restricted endowment funds. The measurement includes the assets and liabilities of the CZ&BG and the Endowment Fund, and as such, is reflection of their combined short-term strength. As a general rule, every entity, whether private or public, must maintain sufficient working capital to meet its current obligations and to remain a viable going concern.

Exhibit 1

Short Term Financial Strength Analysis					
	3/31/2018	3/31/2019	3/31/2020	3/31/2021	3/31/2022
Current Assets					
Cash	\$ 2,276,307	\$ 853,931	\$ 3,044,952	\$ 4,765,247	\$ 9,287,113
Trade and other receivables	1,359,822	3,912,874	527,395	2,068,937	1,425,172
Pledges receivable in less than one year	12,643,656	5,906,269	5,160,492	9,971,098	20,821,001
Prepaid expenses and supplies	320,584	459,960	302,340	507,163	544,169
Investments - Zoo Society	4,422,785	17,753,068	19,585,644	23,323,425	45,732,745
Investments - Endowment Fund	19,031,667	20,276,116	18,871,161	22,053,952	27,102,587
Restricted and unrestricted current assets	40,054,821	49,162,218	47,491,984	62,689,822	104,912,787
Current Liabilities					
Accounts payable	2,884,813	4,051,214	4,822,910	2,041,387	3,102,194
Accrued expenses	2,500,693	2,655,102	2,321,901	2,655,318	2,927,768
Line of credit	-	1,000,000	-	-	-
Refundable advance	-	-	574,234	-	-
Notes Payable - current	600,000	660,000	460,000	2,955,000	-
Bond Payable - current	755,000	760,000	755,000	635,000	290,000
Current liabilities	6,740,506	9,126,316	8,934,045	8,286,705	6,319,962
Current assets less current liabilities	33,314,315	40,035,902	38,557,939	54,403,117	98,592,825
Less: Pledges for capital improvements	(12,643,656)	(5,906,269)	(5,160,492)	(9,971,098)	(20,821,001)
Less: Zoo Society investments restricted for capital	(3,553,094)	(16,674,398)	(18,383,358)	(21,821,982)	(45,179,970)
Less: Donor restricted endowment fund investments	(9,846,496)	(10,064,438)	(9,651,245)	(12,056,991)	(14,962,268)
Plus: Capital purchases in accounts payable	1,311,795	2,249,564	2,964,041	577,787	1,544,016
Unrestricted working capital	\$ 8,582,864	\$ 9,640,361	\$ 8,326,885	\$ 11,130,833	\$ 19,173,602

As the chart above reveals, unrestricted working capital increased during the review period by \$10.6 million. The chart above shows total working capital adjusted to remove restricted working capital to arrive at unrestricted working capital. The chart below shows only the unrestricted working capital.

Exhibit 2

Short Term Financial Strength Analysis - Unrestricted Working Capital					
	3/31/2018	3/31/2019	3/31/2020	3/31/2021	3/31/2022
Current Assets					
Cash	\$ 2,276,307	\$ 853,931	\$ 3,044,952	\$ 4,765,247	\$ 9,287,113
Trade and other receivables	1,359,822	3,912,874	527,395	2,068,937	1,425,172
Prepaid expenses and supplies	320,584	459,960	302,340	507,163	544,169
Investments - Zoo Society	869,691	1,078,670	1,202,286	1,501,443	552,775
Investments - Endowment Fund	9,185,171	10,211,678	9,219,916	9,996,961	12,140,319
Unrestricted current assets	14,011,575	16,517,113	14,296,889	18,839,751	23,949,548
Current Liabilities					
Accounts payable (to be paid with unrestricted cash)	1,573,018	1,801,650	1,858,869	1,463,600	1,558,178
Accrued expenses	2,500,693	2,655,102	2,321,901	2,655,318	2,927,768
Line of credit	-	1,000,000	-	-	-
Refundable advance	-	-	574,234	-	-
Notes Payable - current	600,000	660,000	460,000	2,955,000	-
Bond Payable - current	755,000	760,000	755,000	635,000	290,000
Current liabilities	5,428,711	6,876,752	5,970,004	7,708,918	4,775,946
Unrestricted working capital	\$ 8,582,864	\$ 9,640,361	\$ 8,326,885	\$ 11,130,833	\$ 19,173,602

Unrestricted working capital was flat from 2018 to 2020 decreasing \$256 thousand before increasing by \$10.6 million from 2020 to 2022. The CZ&BG's strong financial position was aided by government stimulus funds in the form of a 2021 forgivable loan from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) totaling \$2.95 million and a Shuttered Venue Operators (SVO) Grant totaling \$10.0 million. At March 31, 2022, CZ&BG has a strong working capital position with sufficient working capital to meet its current obligations.

Summary Finding

From 2018 to 2022 unrestricted working capital has significantly increased as a result of operating income surplus further aided by government stimulus funds received due to the COVID-19 pandemic. It appears that CZ&BG has adequate current assets to meet CZ&BG's current obligations and contribute to long term sustainability.

Long-term Financial Strength

We measured the long-term financial strength of the CZ&BG by first adding together unrestricted working capital and long-term assets from which capital-related items had been excluded. We then subtracted long-term liabilities from this total. While the short-term analysis above focused on working capital and the CZ&BG's ability to meet current obligations, the long-term financial strength analysis focuses on the entity's ability to grow long-term (noncapital) assets as well as to reduce its reliance on long-term debt.

Exhibit 3

Long-Term Financial Strength Analysis					
	<u>3/31/2018</u>	<u>3/31/2019</u>	<u>3/31/2020</u>	<u>3/31/2021</u>	<u>3/31/2022</u>
Unrestricted working capital	8,582,864	9,640,361	8,326,885	11,130,833	19,173,602
Long-term restricted assets:					
Donor restricted endowment fund investments	9,846,496	10,064,438	9,651,245	12,056,991	14,962,268
Beneficial interest in trusts	466,486	447,294	395,101	507,923	497,215
Bond indenture deposits and costs	2,140,775	1,665,307	1,167,721	692,577	334,126
Long-term restricted assets	12,453,757	12,177,039	11,214,067	13,257,491	15,793,609
Assets with capital related items excluded	21,036,621	21,817,400	19,540,952	24,388,324	34,967,211
Long-term liabilities:					
Notes payable - long-term	1,700,000	2,110,000	8,150,000	8,000,000	-
Less: Notes used for capital, repaid with pledges	-	-	(4,000,000)	(4,200,000)	-
Bonds payable - long-term, net	2,705,551	1,971,522	1,237,692	627,141	358,099
Pooled income liability	26,009	25,463	24,885	24,351	23,707
Gift annuity obligations	107,941	117,051	87,230	82,259	82,591
Deferred memberships	4,643,968	4,674,549	4,476,911	5,008,767	5,703,242
Agent liabilities	877,913	1,327,052	907,135	743,497	1,668,446
Long-term Liabilities	10,061,382	10,225,637	10,883,853	10,286,015	7,836,085
Total Net Assets with capital related items excluded	\$ 10,975,239	\$ 11,591,763	\$ 8,657,099	\$ 14,102,309	\$ 27,131,126

The analysis displayed in the chart above shows that between 2018 and 2022, net assets with capital related items excluded, increased by \$16.2 million. After dropping in 2020 total net assets with capital-related items excluded grew by \$18.5 million from 2020 to 2022. By the end of fiscal 2022, the Donor restricted endowment fund grew to \$15.0 million and interest bearing debts were trending toward full repayment with only a \$648K balance. Debt related to capital projects are paid with funds for capital projects i.e. restricted dollars while non-capital debt is paid with surplus cash from operations. All of these factors are an indication that the overall long-term financial strength of the CZ&BG has improved over the levy term and the capital expansion over this period was not funded by long-term debt.

Summary Finding

The overall long-term financial strength of the CZ&BG has improved between 2018 and 2022. During this period, net assets with capital-related items excluded, increased by \$18.5 million, an indication the recent trend in overall long-term financial health is a favorable one. It is also commendable that capital expansion over the recent levy period was not funded by long-term debt.

Capital Additions

The CZ&BG's considerable expansion in both buildings and in outdoor displays over the last five years is quantified in the Exhibits below.

Exhibit 4

Property and Equipment Analysis						
As of March 31,	2017	2018	2019	2020	2021	2022
Land	\$ 21,940,520	\$ 22,719,177	\$ 24,165,810	\$ 33,059,266	\$ 33,059,266	\$ 33,240,877
Buildings and outdoor displays	160,358,014	173,905,397	175,852,460	181,936,646	207,358,441	208,957,160
Equipment and tools	8,148,418	8,600,080	11,337,190	11,891,518	12,386,051	13,530,256
Furniture and fixtures	2,742,135	2,758,562	2,729,927	2,729,927	2,771,786	2,771,786
Construction-in-progress	3,950,291	1,056,158	6,790,634	18,274,258	2,407,284	10,995,865
Property and Equipment at Cost	197,139,378	209,039,374	220,876,021	247,891,615	257,982,828	269,495,944
Less accumulated depreciation	(103,562,716)	(109,720,649)	(116,907,595)	(124,131,173)	(131,992,796)	(140,021,128)
Property and Equipment, net	\$ 93,576,662	\$ 99,318,725	\$ 103,968,426	\$ 123,760,442	\$ 125,990,032	\$ 129,474,816

Totals for both Property and Equipment at Cost and for amounts adjusted for accumulated depreciation were significant over the period studied. Property and Equipment at Cost grew by \$72.4 million, while Property and Equipment net of accumulated depreciation grew by \$35.9 million.

Details on the CZ&BG's capital additions are presented in the Exhibit below.

Exhibit 5

Capital Expenditures Five Year History 2018 - 2022 plus YTD 2/2023							4/2022 Through 2/2023
	2018	2019	2020	2021	2022	Total 2018-2022	
LAND	778,657	1,446,633	8,893,456	-	181,611	11,300,357	998,883
GORILLA WORLD	7,142,185	201,265	-	-	-	7,343,450	-
BUILDINGS & OUTDOOR DISPLAYS	2,285,273	991,348	765,493	-	-	4,042,114	297,751
EQUIPMENT AND TOOLS	451,662	437,110	1,213,483	676,592	302,991	3,081,838	767,688
SOLAR ARRAY MAIN LOT VINE	-	2,300,000	-	-	-	2,300,000	-
COMPUTERS	115,892	123,552	35,559	92,569	224,960	592,532	134,160
TRAIN TRACK, TRESTLE, ETC	-	-	-	-	600,850	600,850	106,150
MAST FARM IMPROVEMENTS	-	215,908	151,536	-	-	367,444	-
BIRD HOUSE RENOVATION	263,725	29,436	-	-	-	293,161	-
MEXICAN WOLF EXHIBIT	16,236	133,844	23,344	-	-	173,424	-
JUNGLE TRAILS	-	115,250	48,658	-	-	163,908	-
EXHIBIT TECHNOLOGY ITEMS	-	75,322	17,800	-	-	93,122	-
FURNITURE & FIXTURES	16,427	16,673	-	35,657	-	68,757	131,157
PARKING PROPERTY: SURFACE	67,689	-	-	-	-	67,689	-
TECHNOLOGY CABLING	21,503	5,685	23,069	5,968	-	56,225	183,433
SOFTWARE	-	-	-	-	37,092	37,092	7,430
OZ VINE STREET VILLAGE	12,586	-	-	-	-	12,586	-
OTHER ADDITIONS AND ADJUSTMENTS	197,904	736,950	1,444,593	6,202	1,096,070	3,481,719	-
More Home to Roam - Expansion:							
MASTER PLANNING	66,505	187,041	627,208	1,040,849	453,265	2,374,868	1,398,902
ROO VALLEY	81,898	1,828,247	8,074,405	2,900,760	-	12,885,310	-
RHINO RESERVE	44,988	23,822	2,463	18	-	71,291	3,051
EL TREK PHASE 1: GENERAL & MKTPLACE	170,151	219,490	924,127	1,564,672	454,786	3,333,226	257,951
PARKING	165,643	532,853	247,895	548,388	2,360,976	3,855,755	5,077,515
AFRICAN PENGUIN	-	600	1,575,580	3,200,235	-	4,776,415	-
VSV, ACCESS, PUBLIC SPACE	1,072	2,215,618	2,946,925	19,303	-	5,182,918	-
EL TREK PHASE 2 RETAINING WALL	-	-	-	-	2,543,969	2,543,969	400,477
EL TREK PHASE 3: PICNIC SHELTERS	-	-	-	-	2,511,343	2,511,343	1,390,496
EL TREK PHASE 4: BARN & POOL	-	-	-	-	383,928	383,928	7,427,445
EL TREK PHASE 5: GIBBON	-	-	-	-	152,163	152,163	456,906
NORTH AMERICA (BEARLINE)	-	-	-	-	209,112	209,112	903,681
	530,257	5,007,671	14,398,603	9,274,225	9,069,542	38,280,298	17,316,424
TOTAL	11,899,996	11,836,647	27,015,594	10,091,213	11,513,116	72,356,566	19,943,076

At the beginning of the current levy cycle, Gorilla World, a \$12 million dollar project was in the final construction phase for a scheduled 2018 opening. Later in 2018 the CZ&BG announced its newest major expansion plan called *More Home to Roam* (MH2R). MH2R is expected to cost \$160M and will include the already completed Entry Village (twelve new ticket windows and additional bathrooms), Roo Valley exhibit, and a Beer Garden with a multi-tiered seating area. The remainder of the project is under construction and will include additional surface parking, Rhino Reserve exhibit, upgrades to various existing exhibit habitats and the featured attraction, Elephant Trek, a five acre exhibit to include a 22,000 square foot Elephant Barn with communal and off-habitat spaces for elephants as well as areas for year around visitor viewing and events. MH2R will include million-gallon storm water tanks installed under a new Elephant Trek exhibit expected to bring the CZ&BG's non-portable water use to zero as well as an expansion in the CZ&BG's solar array that is expected to further lower utility costs by more than \$250K per year.



In general terms, capital improvements can be classified in the following categories:

Expansion and new Exhibits like Gorilla World and More Home to Roam: These new exhibits are primarily paid for by donations generated through capital campaigns.

Infrastructure upgrades: This category includes upgrades like parking improvements and new train tracks. Historically only a small portion of the cost for infrastructure upgrades were paid for by grants or donors, with the majority funded through available operating funds. This trend appears to be reversing as a number of infrastructure upgrades are included in the donor funded MH2R project.

Capital upgrades to existing exhibits needed to improve the current care of animals: The CZ&BG must continually meet increasing industry standards and requirements. While some of these upgrades are funded through capital campaigns (the MH2R project includes numerous capital upgrades to existing exhibits), a large portion of these costs have been historically funded through available operating funds.

Capital upgrades needed to extend the useful life of existing buildings: The CZ&BG presently has over 80 buildings that have a wide range of remaining useful lives. For example, when the general public sees an exhibit, for example the new Hippo Cove, they see the following:



However, the following pictures represent the actual infrastructure that goes into a complex exhibit:

Aerial view of Hippo Cove



Every building and exhibit at the CZ&BG may need major repairs, refurbishments and maintenance to maximize and extend their useful lives. While newer exhibits like Hippo Cove have been constructed to some of the highest standards currently achievable, the vast majority of the CZ&BG's buildings and exhibits were constructed in previous decades using now outdated standards. Even though the newer exhibits are being constructed using high construction standards, the need for maintenance and future refurbishments is a concern, especially in light of the recent expansion and rising costs.

Complete re-roof of the historic Elephant House completed in 2019 as a reinvestment.



Replaced the very old diesel trains with a new all electric train in 2022 as a reinvestment.



New high voltage switch gear to be completed in 2023 with funds from the MH2R project.



Summary Finding

Expansion and new exhibits are primarily paid for by donations generated through capital campaigns. Infrastructure upgrades: Historically only a small portion of the cost for infrastructure upgrades were paid for by grants or donors, with the majority funded through available operating funds. This trend appears to be reversing as a number of meaningful infrastructure upgrades are included in the donor funded MH2R project.

Capital Replacement Needs

The following exhibit provides a ten-year analysis of the estimated capital replacement and maintenance needs of the CZ&BG associated with the park's existing buildings and exhibits. Not presented is the significant underlying detail that was utilized to generate the detailed study. Additionally, it should be noted that the attached analysis is considered a rough guide for management and is not a true budget. It also does not include costs associated with Roo Valley and other recent additions that have not been entered into the system. Management expects an acceleration of maintenance expenses over the next five to ten years as some of the added over the last ten years start to age.

The analysis below primarily addresses the buildings and their contents (i.e. equipment). It does not address other significant areas, including the CZ&BG's fleet of vehicles, I.T. (servers, high-end cameras, switches, etc.), Site Utilities (electric mains, transformers, water mains, etc.), the Solar Array, roads, bridges, decks, and sidewalks.

Exhibit 6 Ten Year Analysis of Capital Replacement Needs for Buildings and Exhibits in Place

Location	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Grand Total
Administration			16,209	42,333				25,841	7,951			92,335
Africa Hoof Stock	85,750							12,131		962	85,750	184,594
African Penguin pump room		5,913							2,973			8,886
Animal Ambassador Center			4,494			1,833	3,003	3,801				13,132
Animal Hospital			111,516	1,926	9,305			63,475		23,841		210,062
Base Camp Café	31,527	86,214		12,649			216,040		47,265			393,695
Bear Line (North American)				35,314							3,639	38,953
Bird House	4,100	6,119	30,881	18,902	39,103	37,109	15,679	2,119	313,128			467,139
Black Rhino		5,032		2,753								7,785
Blacktop Pathways								168,950			1,964,245	2,133,195
Blakelys Barn	23,049			2,200			4,626					29,875
CANTINA											2,973	2,973
Carousel		21,804										21,804
Cat Show Holding				12,538				13,682				26,220
Childrens Zoo Barn (Office)		5,176	18,660			1,739	9,252	79,500				114,326
Clubhouse	29,717											29,717
Commissary & Barn					8,718							8,718
Crew	150,394	37,439	22,997	79,924	8,199	1,898	22,798	5,510	16,995		267,804	613,959
Dury Entry Ticketing				4,027					2,473	81,888		88,388
Dury Parking Lot Booth			11,473					3,221				14,694
Education Center		9,972		523,134	58,632	19,944	11,215	29,916	22,120	116,037	29,916	820,887
Elephant House			74,523	608,635		165,984		154,833	192,322	21,496		1,217,793
Exploration Station			47,667	10,817				114,388	6,571			179,444
Giraffe Barn	79,568	16,309		67,376		41,178		42,333			78,778	325,541
Hippo				6,305	106,737	2,566			51,118			166,726
Insectarium				10,546	30,000	33,216		15,726			3,254	92,742
Intern House					84,654					6,832		91,486
Jungle Trails East		11,166		14,983						35,679		61,829
Jungle Trails Stork	3,754	6,733				2,444						12,931
Jungle Trails West	134,669	15,679		28,040	42,333		54,785		37,513			313,020
Komodo			1,099		76,203	12,543		2,141	2,414	5,225		99,624
Lion Holding							9,493					9,493
Main Entry Gift Shop				53,989					20,581		180,000	254,570
Main Entry Pavilion		11,113			10,597		52,514	3,483		2,473		80,180
Main Entry Restroom(Welcomer Center)		10,359					1,974	13,364				25,697
Main Entry Ticketing		18,778	10,468				44,079	1,742				75,068
Maintenance		1,524	4,423			26,964			9,652			42,563
Manatee Springs	107,926		58,335	48,178		35,902		196,843				447,184
Market Place & Bird Show							122					122
Meerkat Holding									17,738			17,738
Night Hunters				58,458	163,855	5,892			157,754	46,207	73,945	506,111
Operations	6,841	7,572										14,413
Otter Pump House		20,389					2,141					22,530
Passenger Pigeon		25,660										25,660
Polar Bear Pump/ Larosas		78,354		25,075				14,679				118,108
Power House	5,181	2,565										7,746
Primate Center		31,381	73,640	6,861		6,305	195,243		100,559			413,988
Purchasing		44,196			10,589	2,755	6,340		40,834	2,019		106,733
Quarantine		7,993	78,061		14,768		11,300	7,603	29,733			149,457
Random Encounter Holding				17,691		2,588			24,167		7,978	52,423
Red Panda				2,630							14,245	16,875
Reptile House	40,678	9,285		20,112		15,919	105,727				19,558	211,279
Snow Leopard holding						24,915					16,905	41,820
SSA Warehouse					45,347	10,216					1,900	57,463
Train Station		24,500										24,500
Tree Tops		4,963	8,575	41,598	1,958				140,379	17,417		214,889
Tuskers										1,368		1,368
Twisted Tracks	26,772				1,517							28,289
USDA Gates and Fence	9,285		9,584	3,122		2,835,000		10,699				2,867,690
Veldt	23,680			45,325		26,664	13,195	9,841			7,436	126,140
White Lion					2,588	12,624						15,212
Wild Dog Holding					6,963			2,022	21,227			30,212
Wolf Woods						5,947						5,947
Total	\$762,890	\$526,188	\$582,605	\$1,805,444	\$722,066	\$3,332,143	\$779,525	\$997,844	\$1,265,467	\$361,445	\$2,758,325	\$13,933,139

Review of Maintenance Expenditures and Major Maintenance

Maintenance projects not included in the normal budget, are generally undertaken when the CZ&BG's management has determined that an operating surplus is available or when funds from unrestricted gifts are earmarked for major maintenance by the Board.

The following exhibit presents maintenance and repairs in excess of the normal budgeted amounts.

Exhibit 7 Maintenance and Repair Expense - Budget vs. Actual

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Maintenance and Repairs expensed	\$ 1,666,480	\$ 1,860,235	\$ 1,846,364	\$ 871,486	\$ 817,633
Reinvestment (Capitalized Refurbishments)	\$ 3,391,271	\$ 2,205,578	\$ 1,181,094	\$ 205,874	\$ 2,847,046
Approximate budget - normal reoccurring repairs and maintenance	(1,298,000)	(1,148,000)	(1,081,000)	(1,087,762)	(768,000)
Maintenance and Repairs - Unfunded	\$ 3,759,751	\$ 2,917,813	\$ 1,946,458	\$ (10,402)	\$ 2,896,679

Since the last performance review CZ&BG has made an effort to code items in its accounting system as capital improvements if they exceed certain thresholds. The exhibit above depicts the actual and budget amounts for both maintenance and repairs and major maintenance expenditures. CZ&BG maintenance and repair expenditures are for reoccurring repairs and maintenance to better account for maintenance projects on an ongoing basis while major maintenance is deemed reinvestment into capital assets.

Management also maintains a separate budget for “reinvestment” to keep up with the capital asset replacement needs of the CZ&BG. The budget, which is subject to availability of funds, covers both forecasted capital asset maintenance as well as needs that arise due to “increased animal care standards.” This budget has increased from \$2.5 million to \$5 million over the last five years. The 2022 capital reinvestment as reflected above was \$2.8 million and management has indicated it expects the 2023 expenditures to exceed \$6 million due to the availability of funds.

Summary Finding

The CZ&BG is a mix of both modern, new exhibits and aging exhibits, and in many instances outdated infrastructure. Funding requirements for future major maintenance projects, upgrades and refurbishments are expected to continue to increase. This puts pressure on the CZ&BG to find a consistent source of funds for these large and costly projects.

We believe Management’s annual \$5 million budget for reinvestment in the existing infrastructure is well thought out, but is subject to availability of funds. The major expansion of the CZ&BG’s infrastructure over the last two levy cycles will likely cause this reinvestment needs to greatly exceed the current annual \$5 million budget in the future. While not a short-term issue, the ability to fund this long-term liability is a future risk should operating surpluses and the fund raising ability of the CZ&BG decrease.

Bank and Bond Debt Analysis

The CZ&BG has had outstanding bonds payable over the full term of the most recent levy period. CZ&BG notes payable were repaid in full during fiscal year 2022. In our analysis, we are focusing on the credit relationship as of March 31, 2022.

Line of credit:

The CZ&BG primarily uses lines of credit to meet short-term liquidity requirements. At March 31, 2022, no amounts were outstanding on the line of credit. A line of credit totaling \$5,500,000 is available to CZ&BG. The line of credit expired on March 31, 2023 and was renewed through March 31, 2024.

Notes and Bonds Payable

Over the term of the most recent levy period, the CZ&BG has repaid its outstanding notes payable to commercial banks, which was intended to satisfy intermediate funding requirements, the notes payable bore interest rates based on LIBOR.

Notes payable:

As of March 31, 2022, the CZ&BG had no notes payable.

Bonds payable:

As of March 31, 2022, the CZ&BG repaid \$5.1 million of interest bearing debt and are on pace to be debt free in 2026. There are currently no plans to enter into new long-term borrowings.

Summary Finding

During the recent levy cycle the CZ&BG repaid \$5.1 million of interest bearing debt and are on pace to be debt free in 2026. The CZ&BG does not appear to have long-term borrowing needs and has a \$5.5 million available on an open line of credit in the event short-term borrowing needs arise.

Operating Results and Change in Net Assets

We prepared the following Operating Income (Loss) Analysis using both the CZ&BG's consolidated audited financial statements as well as internal trial balance data and supporting schedules provided by management. While the following analyses are based on the CZ&BG's consolidated audited financial statements, the following modifications in structure were undertaken for analytical and presentational purposes:

- Capital campaign revenue from estates and gifts that were either board-designated or donor-restricted for capital improvements has been presented separately from operating revenues.
- Interest expense and depreciation have been reported separately from operations as these items are capital-related and are funded by capital fundraising.

Exhibit 8

Operating Income (loss) Analysis					
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating Revenues					
Admissions	\$ 11,068,074	\$ 11,266,120	\$ 11,939,911	\$ 6,223,254	\$ 12,167,369
Memberships	10,038,611	10,397,577	10,768,512	9,137,489	12,043,935
Attractions	1,940,344	1,736,762	1,554,646	478,394	1,269,285
Parking	1,644,784	1,362,846	1,365,615	1,018,417	1,359,826
Programs	1,691,566	1,813,742	2,086,345	68,498	909,192
Commissions	2,759,920	2,781,889	2,618,760	1,878,045	3,923,566
Rental income	286,665	378,127	653,044	761,300	717,211
Other income	1,116,518	1,438,452	1,024,100	1,780,830	1,705,883
Unrestricted Gifts	1,221,615	1,152,969	1,560,920	3,140,501	2,078,705
Designated Gifts and Grants	2,366,441	2,127,260	2,381,519	1,851,552	2,351,781
Fundraising Events	1,057,381	1,115,131	1,249,166	673,596	1,079,369
Sponsorships (Marketing & Events)	1,971,608	1,926,592	2,056,236	1,574,102	1,943,327
Tax Levy	6,550,000	6,662,500	7,000,000	7,000,000	7,000,000
	43,713,527	44,159,967	46,258,774	35,585,978	48,549,449
Operating Expenses					
Animal Care and Health	10,845,175	11,307,379	11,710,258	10,260,592	11,673,912
Horticulture	1,381,604	1,451,185	1,577,163	1,140,661	1,615,489
Membership and Park Operations	5,179,904	5,204,937	5,638,318	3,510,796	5,088,230
Facilities and External Properties	6,834,062	7,775,268	8,043,097	4,883,464	5,461,609
General & Administrative	3,345,475	4,517,596	4,404,186	4,630,181	4,649,998
Events and Group Functions	4,506,535	5,409,064	5,528,147	1,794,329	2,740,782
Education	1,827,001	2,058,102	2,097,793	1,289,358	1,889,448
CREW	1,531,094	1,803,130	1,609,636	1,698,117	1,814,972
Fundraising	1,129,409	1,156,488	1,399,856	1,178,687	2,064,826
	36,580,259	40,683,149	42,008,454	30,386,185	36,999,266
Operating income	7,133,268	3,476,818	4,250,320	5,199,793	11,550,183
Other income					
Investment income - operations	60,007	406,120	(381,043)	1,227,007	(70,671)
Capital campaign	43,714,163	16,646,230	22,223,902	13,390,438	24,726,232
Shuttered Venue Program	-	-	-	-	10,000,000
SBA PPP Loan Forgiveness	-	-	-	-	2,950,000
	43,774,170	17,052,350	21,842,859	14,617,445	37,605,561
Other Expenses					
Interest expense	231,879	259,755	289,115	220,452	136,312
Depreciation	6,895,178	7,232,254	7,223,578	7,861,623	8,122,374
Loss on disposal of property and equipment	-	-	-	-	116,087
	7,127,057	7,492,009	7,512,693	8,082,075	8,374,773
Income before endowment activity	43,780,381	13,037,159	18,580,486	11,735,163	40,780,971
Endowment Activity					
Endowment estates and gifts	725,669	868,670	236,659	432,877	482,978
Investment income endowment	1,133,507	969,251	(735,495)	4,922,865	1,017,720
Change in beneficial interest in trusts	377,463	(19,192)	(52,193)	112,822	(10,708)
Endowment expenses	(117,072)	-	-	-	-
	2,119,567	1,818,729	(551,029)	5,468,564	1,489,990
Change in net assets	\$ 45,899,948	\$ 14,855,888	\$ 18,029,457	\$ 17,203,727	\$ 42,270,961

The Exhibit above groups all operating revenues together, including both revenue and expenses related directly to park operations as well as revenue from programs, unrestricted gifts, public support (levy), and other ancillary income. The entire CZ&BG operations subset shows a favorable increase in operating income during fiscal 2018 and from 2020 through 2022 and decrease in operating income during fiscal 2019 when measured before major maintenance expenditures. During fiscal 2022, the CZ&BG recognized \$2,950,000 as gain on forgiveness of debt from the SBA PPP loan received in April 2021 and \$10 million in Shuttered Operators Venue (SOV) grant as part of COVID-19 stimulus funds.

Our next Exhibit alters the operating statement to show revenues and expenses directly generated and earned by park operations separately. The purpose of this analysis is to reveal trends in the CZ&BG's reliance on the tax levy as well as in its attraction of other nonoperating revenues, such as unrestricted gifts, bequests, and traditional fundraising.

Exhibit 9

Direct Operating Income (loss) Analysis By Department					
	2018	2019	2020	2021	2022
Direct Operating Revenues					
Admissions	\$ 11,068,074	\$ 11,266,120	\$ 11,939,911	\$ 6,223,254	\$ 12,167,369
Memberships	10,038,611	10,397,577	10,768,512	9,137,489	12,043,935
Attractions	1,940,344	1,736,762	1,554,646	478,394	1,269,285
Parking	1,644,784	1,362,846	1,365,615	1,018,417	1,359,826
Commissions	2,759,920	2,781,889	2,618,760	1,878,045	3,923,566
	<u>27,451,733</u>	<u>27,545,194</u>	<u>28,247,444</u>	<u>18,735,599</u>	<u>30,763,981</u>
Direct Operating Expenses					
Animal Care and Health	(10,845,175)	(11,307,379)	(11,710,258)	(10,260,592)	(11,673,912)
Horticulture	(1,381,604)	(1,451,185)	(1,577,163)	(1,140,661)	(1,615,489)
Membership and Park Operations	(5,179,904)	(5,204,937)	(5,638,318)	(3,510,796)	(5,088,230)
Facilities and External Properties	(6,834,062)	(7,775,268)	(8,043,097)	(4,883,464)	(5,461,609)
Events and Group Functions	(4,506,535)	(5,409,064)	(5,528,147)	(1,794,329)	(2,740,782)
General & Administrative	(3,345,475)	(4,517,596)	(4,404,186)	(4,630,181)	(4,649,998)
	<u>(32,092,755)</u>	<u>(35,665,429)</u>	<u>(36,901,169)</u>	<u>(26,220,023)</u>	<u>(31,230,020)</u>
Operating Loss From Direct Operations Before Levy and Other	(4,641,022)	(8,120,235)	(8,653,725)	(7,484,424)	(466,039)
Rental income	286,665	378,127	653,044	761,300	717,211
SBA PPP Loan Forgiveness	-	-	-	-	2,950,000
Shuttered Venue Program	-	-	-	-	10,000,000
Other income	1,116,518	1,438,452	1,024,100	1,780,830	1,705,883
Tax Levy	6,550,000	6,662,500	7,000,000	7,000,000	7,000,000
	<u>8,953,183</u>	<u>8,478,629</u>	<u>8,677,144</u>	<u>8,742,130</u>	<u>10,673,091</u>
Direct Operating income after Levy and Other	3,312,161	358,844	23,419	2,057,706	21,907,055
Program Revenues and Expenses					
Programs	1,691,566	1,813,742	2,086,345	68,498	909,192
Designated Gifts and Grants	2,366,441	2,127,260	2,381,519	1,851,552	2,351,781
Revenue Sub-total	<u>4,058,007</u>	<u>3,941,002</u>	<u>4,467,864</u>	<u>1,920,050</u>	<u>3,260,973</u>
Education	(1,827,001)	(2,058,102)	(2,097,793)	(1,289,358)	(1,889,448)
CREW	(1,531,094)	(1,803,130)	(1,609,636)	(1,698,117)	(1,814,972)
Program Revenues and Expenses, net	699,912	79,770	760,435	(1,067,425)	(443,447)
Unrestricted Gifts and Fundraising					
Unrestricted Gifts	1,221,615	1,152,969	1,560,920	3,140,501	2,078,705
Zoofari fundraiser	1,057,381	1,115,131	1,249,166	673,596	1,079,369
Sponsorships (Marketing & Events)	1,971,608	1,926,592	2,056,236	1,574,102	1,943,327
Revenue Sub-total	<u>4,250,604</u>	<u>4,194,692</u>	<u>4,866,322</u>	<u>5,388,199</u>	<u>5,101,401</u>
Fundraising	(1,129,409)	(1,156,488)	(1,399,856)	(1,178,687)	(2,064,826)
Unrestricted Gifts and Fundraising	3,121,195	3,038,204	3,466,466	4,209,512	3,036,575
Operating income	7,133,268	3,476,818	4,250,320	5,199,793	24,500,183
Other income					
Investment income - operations	60,007	406,120	(381,043)	1,227,007	(70,671)
Capital campaign	43,714,163	16,646,230	22,223,902	13,390,438	24,726,232
	<u>43,774,170</u>	<u>17,052,350</u>	<u>21,842,859</u>	<u>14,617,445</u>	<u>24,655,561</u>
Other Expenses					
Interest expense	231,879	259,755	289,115	220,452	136,312
Depreciation	6,895,178	7,232,254	7,223,578	7,861,623	8,122,374
Loss on disposal of property and equipment	-	-	-	-	116,087
	<u>7,127,057</u>	<u>7,492,009</u>	<u>7,512,693</u>	<u>8,082,075</u>	<u>8,374,773</u>
Income before endowment	43,780,381	13,037,159	18,580,486	11,735,163	40,780,971
Endowment Activity					
Endowment estates and gifts	608,597	868,670	236,659	432,877	482,978
Investment income endowment	1,133,507	969,251	(735,495)	4,922,865	1,017,720
Change in beneficial interest in trusts	377,463	(19,192)	(52,193)	112,822	(10,708)
	<u>2,119,567</u>	<u>1,818,729</u>	<u>(551,029)</u>	<u>5,468,564</u>	<u>1,489,990</u>
Change in net assets	\$45,899,948	\$ 14,855,888	\$ 18,029,457	\$ 17,203,727	\$ 42,270,961

The analysis above indicates that there has been a \$3.3 million increase in annual direct operating revenues (gate admissions, memberships, parking, food service, etc.) measured from 2018 to 2022 while annual direct operating expenses have decreased by \$862,735 resulting in a \$4.2 million reduction of direct operating losses (before levy support, unrestricted gifts, and fundraising), during this period. Over the same period, all operating revenues increased by \$6.5 million while all operating expenses decreased by \$862,735. The operating revenues increased at a greater rate than operating expenses for all fiscal years, except fiscal 2021. Operating income includes programs, unrestricted and designated gifts, all net of related expenses in addition to direct operating revenue and expenses. CZ&BG has benefited from increases in program revenues during fiscal years 2018 and 2022 and increases in designated and unrestricted gifts in all fiscal years, resulting in overall positive operating results.

Summary Finding

Measured from 2018 to 2022, annual direct operating losses before levy support, unrestricted gifts, SBA PPP loan forgiveness, Shuttered Venue Operators grant, and fundraising have decreased by \$4.2 million over the period. This is a strong indicator that its overall financial position is strengthening resulting in improved positive operating results; however, the CZ&BG remains reliant on unpredictable private support and on public (levy) support over this period.

The findings above are reinforced by the analysis in the chart below, of direct operating income and loss per admission.

Exhibit 10

Direct operating Income (loss) Analysis Per Admission					
	2018	2019	2020	2021	2022
Gate Attendance	<u>1,812,442</u>	<u>1,746,268</u>	<u>1,697,924</u>	<u>944,851</u>	<u>1,637,180</u>
Direct Operating Revenues					
Admissions	\$ 6.11	\$ 6.45	\$ 7.03	\$ 6.59	\$ 7.43
Memberships	5.54	5.95	6.34	9.67	7.36
Attractions	1.07	0.99	0.92	0.51	0.78
Parking	0.91	0.78	0.80	1.08	0.83
Commissions	1.52	1.59	1.54	1.99	2.40
	<u>15.15</u>	<u>15.77</u>	<u>16.64</u>	<u>19.83</u>	<u>18.79</u>
Direct Operating Expenses					
Animal Care and Health	(5.98)	(6.48)	(6.90)	(10.86)	(7.13)
Horticulture	(0.76)	(0.83)	(0.93)	(1.21)	(0.99)
Park Operations	(2.86)	(2.98)	(3.32)	(3.72)	(3.11)
Facilities and External Properties	(3.77)	(4.45)	(4.74)	(5.17)	(3.34)
Events and Group Functions	(2.49)	(3.10)	(3.26)	(1.90)	(1.67)
General & Administrative	(1.85)	(2.59)	(2.59)	(4.90)	(2.84)
	<u>(17.71)</u>	<u>(20.42)</u>	<u>(21.73)</u>	<u>(27.75)</u>	<u>(19.08)</u>
Operating Loss From Direct Operations Before Levy and Other	(2.56)	(4.65)	(5.10)	(7.92)	(0.28)
Rental income	0.16	0.22	0.38	0.81	0.44
SBA PPP Loan Forgiveness	-	-	-	-	1.80
Shuttered Venue Program					6.11
Other income	0.62	0.82	0.60	1.88	1.04
Tax Levy	3.61	3.82	4.12	7.41	4.28
	<u>4.39</u>	<u>4.86</u>	<u>5.20</u>	<u>10.10</u>	<u>7.63</u>
Direct Operating income after Levy and Other	1.83	0.21	0.01	2.18	13.38
Program Revenues and Expense					
Programs	0.93	1.04	1.23	0.07	0.56
Designated Gifts and Grants	1.31	1.22	1.40	1.96	1.44
Revenue Sub-total	<u>2.24</u>	<u>2.26</u>	<u>2.63</u>	<u>2.03</u>	<u>1.99</u>
Education	(1.01)	(1.18)	(1.24)	(1.36)	(1.15)
CREW	(0.84)	(1.03)	(0.95)	(1.80)	(1.11)
Program Revenues and Expense, net	0.39	0.05	0.45	(1.13)	(0.27)
Unrestricted Gifts and Fundraising					
Unrestricted Gifts	0.67	0.66	0.92	3.32	1.27
Zoofari fundraiser	0.58	0.64	0.74	0.71	0.66
Sponsorships (Marketing & Events)	1.09	1.10	1.21	1.67	1.19
Revenue Sub-total	<u>2.35</u>	<u>2.40</u>	<u>2.87</u>	<u>5.70</u>	<u>3.12</u>
Fundraising	(0.62)	(0.66)	(0.82)	(1.25)	(1.26)
Unrestricted Gifts and Fundraising	1.72	1.74	2.04	4.46	1.85
Operating income	3.94	1.99	2.50	5.50	14.96
Other income					
Investment income - operations	0.03	0.23	(0.22)	1.30	(0.04)
Capital campaign	24.12	9.53	13.09	14.17	15.10
	<u>24.15</u>	<u>9.77</u>	<u>12.86</u>	<u>15.47</u>	<u>15.06</u>
Other Expenses					
Interest expense	0.13	0.15	0.17	0.23	0.08
Depreciation	3.80	4.14	4.25	8.32	4.96
Loss on disposal of property and equipment	-	-	-	-	0.07
	<u>3.93</u>	<u>4.29</u>	<u>4.42</u>	<u>8.55</u>	<u>5.12</u>
Income before endowment	\$ 24.16	\$ 7.47	\$ 10.94	\$ 12.42	\$ 24.91

The exhibit above measures operating revenue and expenses and further emphasizes CZ&BG's operating losses from direct operations before Levy and Other. Due to primarily increased program revenues, SBA PPP loan forgiven, gifts and fundraising, CZ&BG has been able to increase their operating income per admission for all fiscal years, except fiscal years 2019 and 2020.

Trend Analysis 2018 vs 2023

After our detailed analysis preliminary results for the fiscal year ended 3/31/2023 became available. These results while not audited and subject to change are expected to reflect the final results for March 31, 2023.

Exhibit 11

	Audited 12-months ended 3/31/2018	CZ&BG Preliminary 12-months ended 3/31/2023	Change	Percentage Change	Average Annual Change
Attendance	1,812,442	1,733,940	(78,502)	-4.33%	-0.87%
Operating Revenues					
Admissions	\$ 11,068,074	\$ 11,822,513	\$ 754,439	6.82%	1.36%
Memberships	10,038,611	13,344,460	3,305,849	32.93%	6.59%
Attractions	1,940,344	1,308,043	(632,301)	-32.59%	-6.52%
Parking	1,644,784	1,359,923	(284,861)	-17.32%	-3.46%
Programs	1,691,566	1,672,093	(19,473)	-1.15%	-0.23%
Commissions (food & gift shop)	2,759,920	4,464,041	1,704,121	61.75%	12.35%
Rental income	286,665	697,718	411,053	143.39%	28.68%
Other income	1,116,518	2,009,359	892,841	79.97%	15.99%
Unrestricted Gifts	1,221,615	1,723,722	502,107	41.10%	8.22%
Designated Gifts and Grants	2,366,441	2,765,814	399,373	16.88%	3.38%
Sponsorships (Marketing & Events)	3,028,989	3,468,525	439,536	14.51%	2.90%
Revenues Before Tax Levy	37,163,527	44,636,211	7,472,684	20.11%	4.02%
Tax Levy	6,550,000	7,000,000	450,000	6.87%	1.37%
	43,713,527	51,636,211	7,922,684	18.12%	3.62%
Operating Expenses					
Salaries and wages	16,388,750	21,019,873	4,631,123	28.26%	5.65%
Payroll taxes and benefits	4,790,665	6,632,815	1,842,150	38.45%	7.69%
Animal food	1,020,935	1,055,716	34,781	3.41%	0.68%
Operating supplies	5,499,107	4,701,767	(797,340)	-14.50%	-2.90%
Outreach	854,570	473,850	(380,720)	-44.55%	-8.91%
Membership Services	205,132	30,000	(175,132)	-85.38%	-17.08%
Group sales	1,109,326	76,996	(1,032,330)	-93.06%	-18.61%
Education programs	69,282	59,641	(9,641)	-13.92%	-2.78%
Special project costs	157,032	215,935	58,903	37.51%	7.50%
Professional services	475,245	356,000	(119,245)	-25.09%	-5.02%
Rent and maintenance	1,610,878	1,096,150	(514,728)	-31.95%	-6.39%
Utilities	1,263,792	1,179,600	(84,192)	-6.66%	-1.33%
Insurance	986,172	1,200,000	213,828	21.68%	4.34%
General expenses	2,149,373	2,856,547	707,174	32.90%	6.58%
Operating Expenses	36,580,259	40,954,890	4,374,631	11.96%	2.39%
Operating income (A)	\$ 7,133,268	\$ 10,681,321	\$ 3,548,053	49.74%	9.95%
(A) Operating income excluding government COVID stimulus income, interest and depreciation.					

Summary Finding

The recent operating results are encouraging with operating revenue increasing by 18.12% from 2018 to 2023 (20.11% if the tax levy revenue is excluded). Over the same period operating expenses excluding depreciation and interest increased by 11.96%, a substantially lower rate of increase than revenues. On an average annual basis revenues increased by 3.62% per year (4.02% with the tax levy revenue is excluded) while expenses increased by 2.39%.

Operating Revenues and Attendance

From fiscal year 2018 to fiscal year 2022, the CZ&BG experienced a 10% decrease in attendance. Fiscal years 2018 and 2022 experienced modest increases in attendance while attendance in fiscal years 2019 and 2020 were slightly down compared to the significant decline in attendance in fiscal year 2021. On March 11, 2020, the World Health Organization characterized COVID-19 as pandemic with multiple jurisdictions in the United States declaring a state of emergency. Certain states, including Ohio issued “stay-at-home” order for non-essential businesses. The CZ&BG closed its operations to the public on March 15, 2020 and re-opened with limited capacity on June 10, 2020 and increased expenses to modify operations. This contributed to the significant decline in CZ&BG’s operating revenues and attendance for the fiscal year ended March 31, 2021.

Exhibit 12

Attendance Analysis						
	Fiscal years ended March 31,					
	2018	2019	2020	2021	2022	2023
	Actual	Actual	Actual	Actual	Actual	Preliminary
Adult	187,477	144,293	126,939	20,203	72,758	100,649
Child	65,188	49,684	56,635	8,559	34,533	43,124
Adult - Discounts & Promo	180,237	167,817	171,908	175,674	299,353	267,812
Child - Discounts & Promo	87,872	80,409	70,692	70,550	126,965	101,423
Schools	93,047	87,964	77,535	1,436	16,199	75,060
Education	20,950	23,272	20,888	4,848	4,093	5,079
Complimentary	36,140	41,763	31,487	18,253	29,274	40,642
Group Sales	187,809	232,490	193,067	33,799	80,405	88,318
Events	-	-	33,882	2,036	11,915	23,691
Member Admits	953,722	918,576	914,891	609,493	961,685	988,142
Gate Attendance	1,812,442	1,746,268	1,697,924	944,851	1,637,180	1,733,940
Percentage increase / decrease	11.1%	-3.7%	-2.8%	-44.4%	73.3%	5.9%

The most significant decrease in attendance occurred with the schools, education, and group sales, which decreased by 83%, 80%, and 57%, respectively. Regular admissions (including discount admissions) and Memberships (“Members Admits”) increased by 12,835 and 7,963, respectively. Over the five year period from 2018 through 2022 total attendance decreased by 175,262 with attendance from schools, education, and group sales making up 207,975 of that decrease.

Fiscal year 2023 attendance has been determined to be 1,733,940 and for fiscal year 2024 and the foreseeable future it is expected to remain stabilized at this level.

Summary Finding

CZ&BG generally experiences increased attendance in years of a new exhibit or even a new animal as was the case in 2018 when Fiona's popularity was expected to peak. Such events have contributed to positive financial returns in 2018 and 2022. Management expected attendance to return to a normalized level after the Fiona phenomenon peaked in 2018; however, COVID-19 happened in 2020 and after people were COVID-19 fatigued, the CZ&BG benefited as attendance increased significantly during fiscal year 2022.

The following analysis of year-to-year operating revenue increases and decreases highlights the changes in the CZ&BG's operating revenue streams over the last five years.

Exhibit 13

Operating Revenue Analysis						Preliminary 12-mo ended 3/31/2023	Average Increase / (Decrease) 2018-2023
	2018	2019	2020	2021	2022		
Operating Revenues							
Admissions	\$ 11,068,074	\$ 11,266,120	\$ 11,939,911	\$ 6,223,254	\$ 12,167,369	\$ 11,822,513	1.24%
Memberships	10,038,611	10,397,577	10,768,512	9,137,489	12,043,935	13,344,460	5.99%
Attractions	1,940,344	1,736,762	1,554,646	478,394	1,269,285	1,308,043	-5.92%
Parking	1,644,784	1,362,846	1,365,615	1,018,417	1,359,826	1,359,923	-3.15%
Commissions	2,759,920	2,781,889	2,618,760	1,878,045	3,923,566	4,464,041	11.23%
Park Operating Revenue	27,451,733	27,545,194	28,247,444	18,735,599	30,763,981	32,298,980	3.21%
<i>Percentage increase (decrease)</i>	14.3%	0.3%	2.5%	-33.7%	64.2%	5.0%	
Programs	1,691,566	1,813,742	2,086,345	68,498	909,192	1,672,093	-0.21%
	15.8%	7.2%	15.0%	-96.7%	1227.3%	83.9%	
Rental income	286,665	378,127	653,044	761,300	717,211	697,718	26.07%
Other income	1,116,518	1,438,452	1,024,100	1,780,830	1,705,883	2,009,359	14.54%
Total operating revenues	30,546,482	31,175,515	32,010,933	21,346,227	34,096,267	36,678,150	3.65%
<i>Percentage increase (decrease)</i>	15.4%	2.1%	2.7%	-33.3%	59.7%	7.6%	

Park operating revenue increased steadily from fiscal years 2018 to 2020 and for fiscal year 2022, but only following similar fluctuation trends in attendance for fiscal years 2018 and 2022. In fiscal years 2019 to 2021, there was a declining trend in attendance while operating revenue increased. However, its pace of increase was slightly worse than that of the decrease in attendance. This appears largely due to the increases in memberships, which offer unlimited admissions to the CZ&BG as well as the CZ&BG being closed for 3 months in fiscal year 2021 as a result of COVID-19 and government mandated shut-down and reopening to limited capacity.

The analysis above indicates that all categories of operating revenue experienced a significant decline during fiscal year 2021, which is a direct result of the CZ&BG being closed for 3 months during the fiscal year as a result of government mandated shut-down relating to COVID-19. The revenue fluctuation largely followed the trend in attendance during fiscal year 2021. Fiscal year 2018 indicates a significant increase, which management noted is an outlier year due to the "Fiona phenomenon." Fiscal year 2019 increased slightly while fiscal year 2022 increased significantly, which management noted was due to the rebound from COVID-19. Attractions revenue includes fees to experience the carousel, train rides or an all-day pass for these features. The steadily increasing parking revenue reflects the CZ&BG's efforts to improve parking for Zoo guests. During the period under review, the CZ&BG continues to strategically use their space to maximize parking and adding available spaces. Only half of Zoo members continue to purchase the membership package which includes free parking. Commission revenue includes fees for ancillary services such as: food service, face painting, photograph services and the largest catering for group sales. The group sales are variable as larger groups rotate their patronage throughout the community.

Exhibit 14

Park Operating Revenue Per Admission						Preliminary 12-mo ended 3/31/2023
	2018	2019	2020	2021	2022	
Gate Attendance	1,812,442	1,746,268	1,697,924	944,851	1,733,940	1,733,940
Admissions	\$ 6.11	\$ 6.45	\$ 7.03	\$ 6.59	\$ 7.02	\$ 6.82
Memberships	5.54	5.95	6.34	9.67	6.95	7.70
Attractions	1.07	0.99	0.92	0.51	0.73	0.75
Parking	0.91	0.78	0.80	1.08	0.78	0.78
Commissions	1.52	1.59	1.54	1.99	2.26	2.57
Direct operating revenues per admission	15.15	15.77	16.64	19.83	17.74	18.63
Programs	0.93	1.04	1.23	0.07	0.52	0.96
Total operating revenues per admission	\$ 16.08	\$ 16.81	\$ 17.87	\$ 19.90	\$ 18.27	\$ 19.59

Operating revenue per admission increased at a steady pace from 2018 through 2020, increased significantly during fiscal year 2021 due to COVID-19 related attendance reduction, and then declined in fiscal year 2022 to a level that still exceeds fiscal 2022. Attendance and revenue are forecasted to slightly exceed if not mirror 2022 operating revenue per admission in the fiscal year ending March 31, 2023.

The attendance for the year ended March 31, 2023 preliminary results indicate attendance will be 1,733,940. Management expects attendance to remain at these levels through the foreseeable future.

Our revenue variance analysis, below, shows meaningful fluctuations in several different types of revenue, although the overall trend for all forms of revenue is positive, except for fiscal year 2021.

Exhibit 15

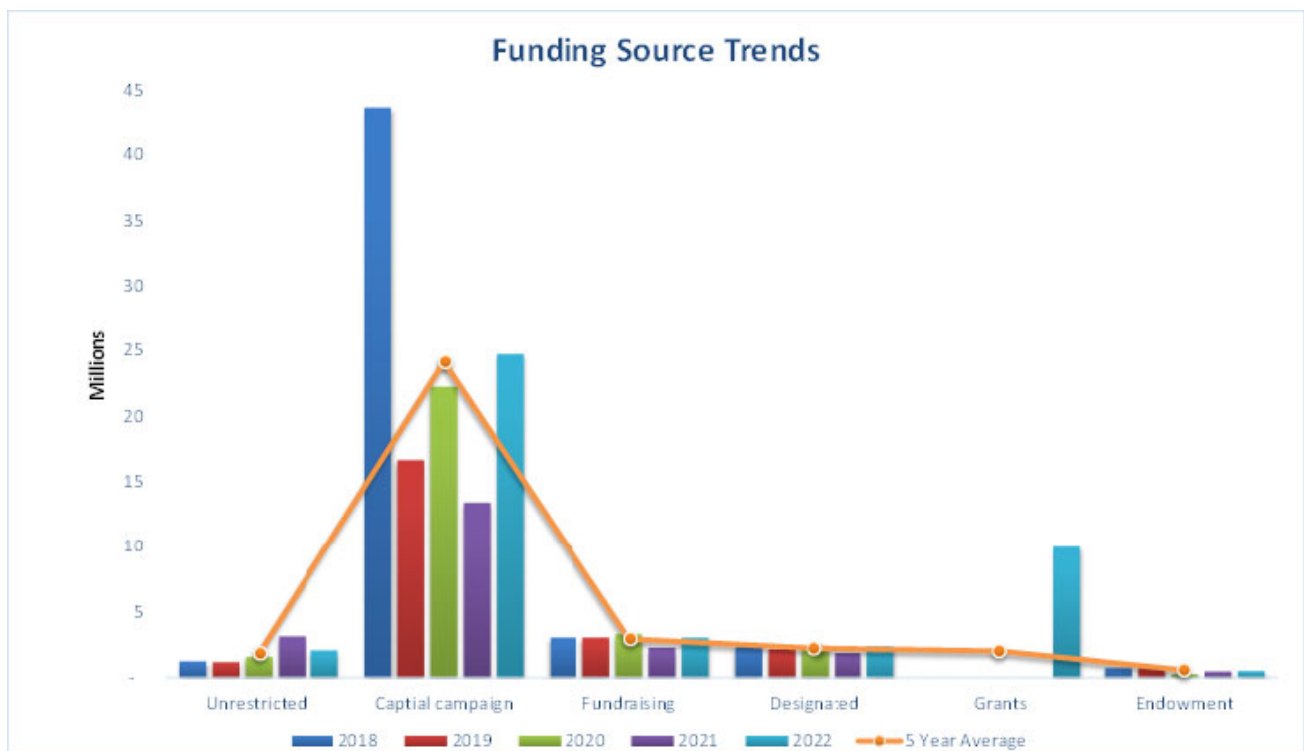
Revenue Variance Analysis						Preliminary 12-mo ended 3/31/2023
	2018	2019	2020	2021	2022	
Admissions						
Revenue increase (decrease)	\$ 1,942,106	\$ 198,046	\$ 673,791	\$ (5,716,657)	\$ 5,944,115	\$ (344,856)
Percentage change	21.3%	1.8%	6.0%	-47.9%	95.5%	-2.8%
Memberships						
Revenue increase (decrease)	789,475	358,966	370,935	(1,631,023)	2,906,446	1,300,525
Percentage change	8.5%	3.6%	3.6%	-15.1%	31.8%	10.8%
Attractions						
Revenue increase (decrease)	296,550	(203,582)	(182,116)	(1,076,252)	790,891	38,758
Percentage change	18.0%	-10.5%	-10.5%	-69.2%	165.3%	3.1%
Parking						
Revenue increase (decrease)	223,850	(281,938)	2,769	(347,198)	341,409	97
Percentage change	15.8%	-17.1%	0.2%	-25.4%	33.5%	0.0%
Programs						
Revenue increase (decrease)	230,535	122,176	272,603	(2,017,847)	840,694	762,901
Percentage change	15.8%	7.2%	15.0%	-96.7%	1227.3%	83.9%
Commissions						
Revenue increase (decrease)	674,061	21,969	(163,129)	(740,715)	2,045,521	540,475
Percentage change	32.3%	0.8%	-5.9%	-28.3%	108.9%	13.8%
Total						
Revenue increase (decrease)	4,156,577	215,637	974,853	(11,529,692)	12,869,076	2,297,900
Percentage change	16.6%	0.7%	3.3%	-38.0%	68.4%	7.3%

Overall, the analysis above indicates that from 2018 through 2020 and 2022, all categories of revenue have experienced an upward trend, except for 2021 when overall operating revenue decreased significantly due to the CZ&BG closure on March 15, 2020 as a result of government mandated shut-down relating to COVID-19 and re-opened to limited capacity on June 10, 2020 in accordance with state mandated levels.

Analysis of Past and Present Sources of Funding (Gifts, Grants, and Donations)

The following graph summarizes gifts, grants, and donations for fiscal years 2018 through 2022 including the five-year average. The category "Capital or Capital Campaign" represents donor pledges less allowances for estimated uncollectable pledges and timing discounts. The category "Designated" represents both donor designated gifts and grants. The graph below illustrates how these revenue sources appear to be subject to fluctuations.

Exhibit 16



As the graph above demonstrates, the CZ&BG received meaningful gifts and donations during the review period. The significant increase is primarily noted in capital contributions. During 2018, CZ&BG kicked off its “Move to Home to Rome” (MH2R) campaign and received a pledge of approximately \$50M from a donor and from 2019 to 2022, the capital contributions totaled \$63,262,712 for MH2R. General capital contributions totaled \$12,046,850 from 2018 to 2022. Overall gifts, grants, and donations fluctuated during the period and were unpredictable. Unrestricted gifts and capital campaign contributions were significant during 2018 through 2022. During that period, the CZ&BG maintained above-average fundraising and designated gifts and grants. Significant additions totaling \$3.5 million to the endowment during fiscal 2018 represent distributions from beneficial interest in trusts and pledge payments received that were transferred into the endowment while during 2021 a non-customary withdrawal of \$1.2 million was transferred from the endowment to cover the costs of the voluntary separation packages that CZ&BG offered to its employees at the start of COVID-19. Management noted that these funds were transferred back later in 2022 to the endowment to make it whole again.

The following schedules detail the gifts, grants and donations used for the graph in Exhibit 16:

Exhibit 17

<u>Gifts, Grants & Donations 2018-2022 Totals and Averages</u>		
	Total <u>2018-2022</u>	Average <u>Per Year</u>
Unrestricted Gifts	\$ 9,154,710	\$ 1,830,942
Capital campaign	130,700,965	26,140,193
Fundraising	14,646,508	2,929,302
Designated Gifts and Grants	11,078,553	2,215,711
Endowment	6,010,517	1,202,103
Total Gifts, Grants and Donations	\$ 171,591,253	\$ 34,318,250.6

Exhibit 18

Gifts, Grants & Donations Analysis						Total
	2018	2019	2020	2021	2022	2018-2022
<u>Unrestricted Gifts</u>						
Unrestricted Estates and gifts	1,157,266	1,125,582	1,543,404	2,988,293	2,029,878	8,844,423
Futures & Memorials	46,949	51,407	23,312	79,984	48,365	250,017
Charitable Annuities & Pooled Income	7,404	(28,225)	(26,867)	72,224	(1,338)	23,198
Exotic Travel Program	8,796	4,205	17,679		1,800	32,480
Other	1,200		3,392			4,592
	1,221,615	1,152,969	1,560,920	3,140,501	2,078,705	9,154,710
<u>Government Stimulus Grant</u>						
Shuttered Venue Operators Grant					10,000,000	10,000,000
<u>Capital campaign</u>						
General Capital	(8,161,755)	6,120,851	2,427,157	728,437	932,160	2,046,850
MH2R Campaign	51,875,918	9,788,275	18,829,812	11,852,470	22,792,155	115,138,630
Estate Gifts to MH2R	-	737,104	966,933	809,531	1,001,917	3,515,485
	43,714,163	16,646,230	22,223,902	13,390,438	24,726,232	120,700,965
<u>Fundraising</u>						
Fundraising Events	1,057,381	1,115,131	1,249,166	673,596	1,079,369	5,174,643
Sponsorships (Marketing & Events)	1,971,608	1,926,592	2,056,236	1,574,102	1,943,327	9,471,865
	3,028,989	3,041,723	3,305,402	2,247,698	3,022,696	14,646,508
<u>Designated Gifts</u>						
Animal Operations	683,131	182,486	130,072	96,940	94,927	1,187,556
CREW	687,279	592,424	614,968	660,701	657,005	3,212,377
IMLS Animal Excellence		112,020	275,100	104,189	164,250	655,559
Education	222,434	148,615	188,316	48,659	133,129	741,153
Development	115,000	110,000			2,000	227,000
Horticulture	35,699	61,575	169,831	31,358	146,922	445,385
Other	622,898	920,140	1,003,232	909,705	1,153,548	4,609,523
	2,366,441	2,127,260	2,381,519	1,851,552	2,351,781	11,078,553
Total Operating and Capital	50,331,208	22,968,182	29,471,743	20,630,189	42,179,414	165,580,736
Endowment	725,669	868,670	236,659	432,877	482,978	2,746,853
Total Gifts, Grants and Donations	\$ 51,056,877	\$23,836,852	\$ 29,708,402	\$ 21,063,066	\$ 42,662,392	\$168,327,589

The data above also makes it clear that gifts, grants, and donations during the last year have exceeded historical averages. The fundraising for the MH2R appears to have been a major success. Also included in 2022 is the one time receipt of \$10 million from the SBA Shuttered Venue Operators Grant Program.

Alternative Sources of Funding Utilized Before Tax Levy Funds

Our examination of the Tax Levy Contract in place during the years studied revealed the intent, expressed within the Contract, that the Tax Levy be considered a "payor of last resort." It is within this context that the Tax Levy Board's request we analyze "alternative sources of funding". The Board asked that we investigate alternatives to tax levy funding in order to determine whether these sources of funding were being utilized before tax levy sources. Within the category of "alternative sources of funding," we include capital campaign funds, regular fundraising (Zoofari and sponsorships), gifts designated for specific uses, unrestricted gifts, and grants. We also consider the CZ&BG's operating strategies that result in higher revenues and lower costs as a meaningful source of

Regarding unrestricted gifts, the CZ&BG's internal policy states that gifts of less than \$100,000 are placed in the endowment fund, however for gifts greater than \$100,000 only 50% of the gift are placed in the endowment while the disposition of the remaining 50% of gifts greater than \$100,000 is determined by the CZ&BG's Executive Committee primarily based on major maintenance projects. During the levy period, CZ&BG capital campaign named "Move to Home to Rome" (MH2R) gifts of less than \$100,000 were placed in the endowment fund while gifts greater than \$100,000 was directed to the MH2R as the CZ&BG focused primarily on the campaign construction instead of major maintenance projects. Also, during the levy period unrestricted gifts were used for major maintenance expenses, and significant unrestricted endowment dollars were transferred to fund the tax levy campaign, this transfer is done once every five years.

It is important to note that the CZ&BG's allotment of a portion of unrestricted gifts for major maintenance may have increased the sense that levy funds were truly crucial for daily operating functions. In a sense, this goes against the intent of the Tax Levy Contract, which, as noted above, identifies Hamilton County as "the payor of last resort."

The CZ&BG received \$12,950,000 in government stimulus funding during 2021 and 2022 from the Payroll Protection and Shuttered Venue Operators Programs intended primarily for payroll and other operating expenses. It appears the receipt of these funds played a key role in the increase in available working capital.

The CZ&BG continues to find new and innovative ways to increase operating revenues. Examples include the increased commissions earned due to the addition of the popular beer garden and food trucks, increased memberships, the use of variable pricing and increased parking and gate access to enhance the overall experience driving up attendance and revenues.

The CZ&BG is also using capital campaign funds to improve the parks infrastructure with solar arrays and water retention facilities that have and will continue to reduce utility costs.

Summary Finding

With regard to alternative sources of funding, the CZ&BG continues to find new and innovative ways to increase operating revenues. Examples include the increased commissions earned due to the addition of the popular beer garden and food trucks, increased membership offerings, the use of variable pricing and increased parking and gate access to enhance the overall experience driving up attendance and revenues.

The CZ&BG is also using capital campaign funds to improve the parks infrastructure with solar arrays and water retention facilities that have and will continue to reduce utility costs.

An examination of endowment funding over the recent levy period also yields insights regarding the question of "alternative sources of funding."

Endowment Fund Activity

Exhibit 19

Endowment Fund Summary of Activity					
	2018	2019	2020	2021	2022
Endowment net assets at beginning of year	\$14,886,214	\$19,031,667	\$20,276,116	\$18,871,161	\$22,053,952
Net investment return	1,078,191	1,040,243	(902,757)	4,987,600	1,106,954
Contributions	725,669	1,124,649	668,529	432,282	482,978
Transfers in	-	-	-	-	4,527,458
Additions	3,501,689	-	-	-	-
Appropriation of endowment assets for expenditure:					
5% Spending	(795,607)	(840,127)	(1,027,689)	(927,048)	(1,017,932)
Fund VSP/VRP Covid Packages		-	-	(1,200,000)	-
Levy campaign	(300,000)	-	-	-	-
Other	(64,489)	(80,316)	(143,038)	(110,043)	(50,823)
Endowment net assets at end of year	<u>\$19,031,667</u>	<u>\$20,276,116</u>	<u>\$18,871,161</u>	<u>\$22,053,952</u>	<u>\$27,102,587</u>
Appropriation for expenditure as a percentage of average endowment balance	<u>6.8%</u>	<u>4.7%</u>	<u>6.0%</u>	<u>10.9%</u>	<u>4.3%</u>

The table above indicates that during the years 2020 and 2021, expenditures from the endowment fund exceeded contributions to the endowment fund. The net difference in appropriations and contributions was \$(502,198) in 2020 and \$(1,804,809) in 2021. During the years 2018, 2019, and 2022, contributions to the endowment fund exceeded expenditures from the endowment fund by \$3,067,262 in 2018, \$204,206 in 2019, and \$3,941,681 in 2022. Specific endowment fund activities include the following: In all years the fund transferred the allowable 5% spending of endowment funds to operations. During 2021, the Foundation provided the Zoo with a significant transfer of \$1.2 million to fund the Voluntary Separation Packages (VSP) and Voluntary Retirement Packages (VRP) that were offered to full-time employees in the form of several months of pay and benefits as a result of COVID-19 and its impact on the Zoo's operations. In addition, during fiscal 2018, \$3,501,689 was added to the endowment fund representing distributions from beneficial interest in trusts and pledge payments received and during fiscal 2022, \$4,527,458 was transferred into the endowment fund representing operating surplus funds that the Board designated for the endowment fund.

A brief look at the breakout between restricted and unrestricted funds shows an increase in unrestricted funds during the period under review:

Exhibit 20

Endowment Fund Summary of Restricted vs. Unrestricted Fund Balances					
	2018	2019	2020	2021	2022
Unrestricted Funds	\$ 9,185,171	\$ 10,211,678	\$ 9,219,916	\$ 9,996,961	\$ 12,140,319
Restricted Funds	9,846,496	10,064,438	9,651,245	12,056,991	14,962,268
Endowment net assets at end of year	<u>\$ 19,031,667</u>	<u>\$ 20,276,116</u>	<u>\$ 18,871,161</u>	<u>\$ 22,053,952</u>	<u>\$ 27,102,587</u>

In total, the Endowment Funds increased by \$8.1 million from \$19.0 million in 2018 to \$27.1 million in 2022. The fluctuation in the restricted funds from 2018 to 2022 was mainly the result of investment value variations. The fluctuation in the unrestricted funds, by contrast, stems from both investment value variations, significant net purchases in 2019 and 2022, a significant transfer in 2022 of operating surplus that the Board designated for the endowment, as well as the practice of appropriating funds for operating expenditure.

Summary Finding

In the long term, CZ&BG will need to continue to develop sources of unrestricted endowment funds. Considering the significant donations received for various capital campaigns in the past, the potential to leverage those relationships to fund the endowment should be pursued.

Investment Income

The following Exhibit summarizes investment income and average returns for 2018 through 2022. The average return is based on year end balances and is for analysis purposes only.

Exhibit 21

Investment Income Analysis					
	2018	2019	2020	2021	2022
Operating funds					
Net investment return	\$ 60,007	\$ 406,120	\$ (381,043)	\$ 1,227,007	\$ (70,671)
	60,007	406,120	(381,043)	1,227,007	(70,671)
Endowment funds					
Net investment return	1,133,507	969,251	(735,495)	4,922,865	1,017,720
Change in beneficial interest in trusts	377,463	(19,192)	(52,193)	112,822	(10,708)
	1,510,970	950,059	(787,688)	5,035,687	1,007,012
Combined investment income	<u>1,570,977</u>	<u>1,356,179</u>	<u>(1,168,731)</u>	<u>6,262,694</u>	<u>936,341</u>
Investments - Zoo Society	4,422,785	17,753,068	19,585,644	23,323,425	45,732,745
Investments - Endowment Fund	19,031,667	20,276,116	18,871,161	22,053,952	27,102,587
Investments - year end balances	23,454,452	38,029,184	38,456,805	45,377,377	72,835,332
Beneficial interest in trusts year end balances	466,486	447,294	395,101	507,923	497,215
Ending Balances Consolidated	<u>23,920,938</u>	<u>38,476,478</u>	<u>38,851,906</u>	<u>45,885,300</u>	<u>73,332,547</u>
Average consolidated balance	<u>\$23,377,105</u>	<u>\$31,198,708</u>	<u>\$38,664,192</u>	<u>\$42,368,603</u>	<u>\$59,608,924</u>
Return on average consolidated balance	6.7%	4.3%	-3.0%	14.8%	1.6%

The investment returns above indicate that CZ&BG operating funds are invested conservatively.

Review of Past CZ&BG Tax Levy Information

A look at tax levy funds received during the 2018 to 2022 period shows only minimal year over year fluctuation, except during 2020.

Exhibit 22

<u>Tax Levy Funding Analysis</u>							
Calendar years	<u>12/31/2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	Preliminary <u>2023</u>
Projected Tax levy Funds		\$ 6,550,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000
Tax Levy Funds Received	6,550,000	\$ 6,550,000	\$ 6,662,500	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000
<i>Percentage increase (decrease)</i>	100.0%	0.0%	1.7%	4.8%	0.0%	0.0%	0.0%

The fluctuating trend in tax levy revenue per admission, indicated in the table below, is only secondarily related to fluctuations in tax levy funds received. Its primary cause is the fluctuating trend in admissions.

Exhibit 23

<u>Tax Levy Revenue Per Admission</u>						
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	Preliminary 12-mo ended <u>3/31/2023</u>
Gate Attendance	1,812,442	1,746,268	1,697,924	944,851	1,733,940	1,733,940
Tax Levy Revenue per admission	\$ 3.61	\$ 3.75	\$ 3.92	\$ 7.41	\$ 4.04	\$ 4.04

Operating Expenses

The CZ&BG groups their expenses by category on the audited financial statements with Animal Care and Health appropriately presented as the largest cost center. Before analyzing the expenses by category we have first analyzed the expense by expense type. This analysis reveals that Salaries, wages and the associated payroll taxes and employee benefits are by far the largest expense driving the CZ&BG's operating results.

Exhibit 24

	Audited 2018	%	Audited 2019	%	Audited 2020	%	Audited 2021	%	Audited 2022	%	Preliminary 2023	%	Average Increase 2018-2023
Salaries and wages	\$ 16,388,750	44.8%	\$ 17,599,730	36.5%	\$ 18,498,418	37.4%	\$ 16,134,335	41.9%	\$ 19,322,277	42.7%	\$ 21,019,873	51.3%	5.1%
Payroll taxes and benefits	4,790,665	13.1%	5,606,197	11.6%	5,849,993	11.8%	4,839,074	12.6%	5,301,551	11.7%	6,632,815	16.2%	7.0%
Animal food	1,020,935	2.8%	1,035,587	2.1%	1,078,933	2.2%	846,855	2.2%	1,053,896	2.3%	1,055,716	2.6%	0.6%
Operating supplies	5,499,107	15.0%	6,347,324	13.2%	6,520,663	13.2%	2,975,002	7.7%	4,522,847	10.0%	4,701,767	11.5%	-2.6%
Outreach	854,570	2.3%	886,115	1.8%	813,269	1.6%	224,130	0.6%	399,090	0.9%	473,850	1.2%	-8.1%
Membership Services	205,132	0.6%	168,219	0.3%	138,194	0.3%	107,694	0.3%	46,835	0.1%	30,000	0.1%	-15.5%
Group sales	1,109,326	3.0%	1,791,081	3.7%	1,781,158	3.6%	47,505	0.1%	158,498	0.4%	76,996	0.2%	-16.9%
Education programs	69,282	0.2%	107,014	0.2%	118,694	0.2%	21,987	0.1%	56,104	0.1%	59,641	0.1%	-2.5%
Special project costs	157,032	0.4%	105,213	0.2%	116,330	0.2%	87,684	0.2%	123,111	0.3%	215,935	0.5%	6.8%
Professional services	475,245	1.3%	920,777	1.9%	501,502	1.0%	376,442	1.0%	600,049	1.3%	356,000	0.9%	-4.6%
Maintenance	1,610,878	4.4%	1,829,712	3.8%	1,890,236	3.8%	938,108	2.4%	881,114	1.9%	1,096,150	2.7%	-5.8%
Utilities	1,263,792	3.5%	1,156,907	2.4%	1,152,916	2.3%	1,052,807	2.7%	1,093,805	2.4%	1,179,600	2.9%	-1.2%
Insurance	986,172	2.7%	999,059	2.1%	1,115,654	2.3%	1,038,477	2.7%	1,213,130	2.7%	1,200,000	2.9%	3.9%
General expenses	2,149,373	5.9%	2,130,214	4.4%	2,432,494	4.9%	1,696,085	4.4%	2,226,959	4.9%	2,856,547	7.0%	6.0%
Operating Expenses before Interest and Depreciation	36,580,259	100.0%	48,175,158	100.0%	49,521,147	100.0%	38,468,260	100.0%	45,257,952	100.0%	40,954,890	100.0%	2.2%
Interest	231,879		259,755		289,115		220,452		136,312		18,000		-16.8%
Depreciation	6,895,178		7,232,254		7,223,578		7,861,623		8,122,374		8,100,000		3.2%
Total	\$43,707,316		\$55,667,167		\$57,033,840		\$46,550,335		\$53,516,638		\$49,072,890		2.2%

In 2018, salaries and wages, payroll taxes, and employee benefits made up 57.9 percent % of the CZ&BG's operating expenses before interest and depreciation. That has grown to 67.5 percent by 2023. Therefore the first major category of expense reviewed by us is salaries and wages. The following schedule groups salaries and wages by department.

Exhibit 25

Salaries and Wages Expense Analysis					
	2018	2019	2020	2021	2022
Animal Care and Health	\$ 6,041,230	\$ 6,269,075	\$ 6,566,046	\$ 5,831,400	\$ 6,719,918
Horticulture	829,512	922,871	1,002,457	752,798	944,437
Membership and Park Operations	2,678,045	2,727,874	2,830,989	1,781,920	2,880,690
Facilities and External Properties	2,029,005	2,346,943	2,479,673	2,152,322	2,320,192
General & Administrative	1,195,382	1,294,507	1,269,251	2,443,171	2,220,673
Events and Group Functions	1,016,325	1,132,190	1,257,450	693,482	858,225
Education	1,125,411	1,248,739	1,266,214	737,718	923,635
CREW	889,762	1,014,820	939,945	954,819	1,012,372
Fundraising	584,078	642,711	886,393	786,705	1,442,135
Total Salaries and wages	\$ 16,388,750	\$ 17,599,730	\$ 18,498,418	\$ 16,134,335	\$ 19,322,277
Percentage increase (decrease)	<u>5.9%</u>	<u>7.4%</u>	<u>5.1%</u>	<u>-12.8%</u>	<u>19.8%</u>
Total Payroll taxes and benefits	\$ 4,790,665	\$ 5,606,197	\$ 5,849,993	\$ 4,839,074	\$ 5,301,551
Percentage of Salaries and wages	<u>29.2%</u>	<u>31.9%</u>	<u>31.6%</u>	<u>30.0%</u>	<u>27.4%</u>
Total	\$ 21,179,415	\$ 23,205,927	\$ 24,348,411	\$ 20,973,409	\$ 24,623,828
Percentage increase (decrease)	<u>4.8%</u>	<u>9.6%</u>	<u>4.9%</u>	<u>-13.9%</u>	<u>17.4%</u>

Salary and wages increased during fiscal years 2018 through 2020, decreased during fiscal 2021 before once again increasing in 2022. As CZ&BG expanded and undertook major projects, there became a need for additional personnel, especially in the areas of Animal Care and Health and Facilities. The 2021 decrease was due to the COVID-19 driven termination of all part-time employees and the voluntary separation of some full-time employees. Post COVID employees' roles were expanded and labor shortages have required CZ&BG to provide incentives to its employees in the form of temporary performance bonuses and raises at specific job levels (typically where CZ&BG is struggling to hire and / or stay competitive). For example, CZ&BG increased the hourly rate from \$8.75 to \$14 for its frontline gate staff. Also of particular note, is the continuing increase in payroll taxes and benefits which represent nearly one third of salary and wages.

Management has renegotiated its union contracts approximately two years ago which calls for a declining annual increase that averages out to 3.0% over the five years period.

Short-term management expects continued pressure to increase wages due to lack of available workers and overall market competition for employees.

Summary Finding

Pre pandemic wage expense was increasing due to staffing increases and modest wage inflation. During the COVID-19 pandemic the CZ&BG was able to reduce non-essential and seasonal staff in response to the uncertainties caused by the pandemic. Post COVID-19 the CZ&BG is faced with increased staffing needs related to the reopening and increased attendance as well as pressure to increase wages due to lack of available workers and overall market competition for employees. Management expects wage pressure and staffing shortages to continue for 2023 and 2024.

Exhibit 26

Full Time Employee Count					
Department	2018	2019	2020	2021	2022
Animal Ops	2	2	2	1	4
North America	8	8	8	4	5
Reptile	4	4	4	4	4
Aviculture	7	8	8	10	10
Insect	5	5	5	5	5
Commisary	5	4	4	4	4
Interpretive	8	8	8	7	7
Bird Show	3	3	3	3	3
Cat Show	4	4	4	4	4
CZ/Nursery	5	7	6	5	5
Africa	7	8	8	7	8
Veldt/Mast Farm	6	6	6	6	6
Elephant	6	6	5	4	7
Relief Keepers	3	3	3	2	1
Night Hunters	7	7	7	8	8
Primate	14	14	15	13	15
Canyon	4	-	-	-	-
Animal Health	5	6	6	7	7
Animal Research	4	4	4	5	5
Plant Research	2	3	3	2	2
Bear Research	-	-	-	-	-
Research & Projects	6	5	4	5	5
CREW Admin	1	1	1	1	1
Education	3	2	3	1	2
Programs	4	4	5	2	3
Overnights	1	1	1	-	1
Graphics	3	3	3	1	2
Visitor Interpretation	2	2	2	2	3
School Services	4	4	4	2	-
Americorps	1	1	1	1	1
Development	7	8	9	7	8
Membership	2	2	2	2	1
Marketing	4	5	5	5	5
IMLS Animal Excellence	-	3	3	1	-
Admissions	8	6	6	4	8
Group Sales	6	6	6	2	-
Park Services	10	11	11	7	8
Maintenance	33	38	39	35	33
Horticulture	12	13	13	11	13
Security	8	8	7	6	7
Admin	4	4	4	4	5
Finance	3	3	3	3	3
IT	5	5	5	4	4
HR	2	2	3	3	3
Community Conservation	2	2	2	1	3
Global Conservation	-	-	-	-	1
Purchasing	3	4	4	3	2
Events	1	1	1	1	2
	244	254	256	215	234

Exhibit 27

Salaries and Wages Expense Analysis					
Cost per FTE					
	2018	2019	2020	2021	2022
Total FTEs	244	254	256	215	234
Total Salaries and wages	\$ 16,388,750	\$ 17,599,730	\$ 18,498,418	\$ 16,134,335	\$ 19,322,277
Cost per FTE	67,167	69,290	72,259	75,043	82,574
Total Payroll taxes and benefits	4,790,665	5,606,197	5,849,993	4,839,074	5,301,551
Cost per FTE	19,634	22,072	22,852	22,507	22,656
Total	21,179,415	23,205,927	24,348,411	20,973,409	24,623,828
Cost per FTE	\$ 86,801	\$ 91,362	\$ 95,111	\$ 97,551	\$ 105,230

The schedule above represents a count of the full-time employees as of the years ended March 31, 2018 through 2022. Part-time and seasonal employees are not included here. The Exhibit indicates that the number of full-time employees remained relatively steady until 2019 and 2020.

Overall staffing increases were required for the expanded operations as new exhibits were added.

Exhibit 28

Salaries and Wages Per Admission					
	2018	2019	2020	2021	2022
Gate Attendance	1,812,442	1,746,268	1,697,924	944,851	1,637,180
Animal Care and Health	\$ 3.33	\$ 3.59	\$ 3.87	\$ 6.17	\$ 4.10
Horticulture	0.46	0.53	0.59	0.80	0.58
Membership and Park Operations	1.48	1.56	1.67	1.89	1.76
Facilities and External Properties	1.12	1.34	1.46	2.28	1.42
General & Administrative	0.66	0.74	0.75	2.59	1.36
Events and Group Functions	0.56	0.65	0.74	0.73	0.52
Education	0.62	0.72	0.75	0.78	0.56
CREW	0.49	0.58	0.55	1.01	0.62
Fundraising	0.32	0.37	0.52	0.83	0.88
Total Salaries and wages	\$ 9.04	\$ 10.08	\$ 10.89	\$ 17.08	\$ 11.80
Total Payroll taxes and benefits	\$ 2.64	\$ 3.21	\$ 3.45	\$ 5.12	\$ 3.24

Salaries and wages per admission have increased since 2018 with an overall increase during the period reviewed. 2021 is skewed by the COVID-19 pandemic with 2022 more in line with pre pandemic results.

Summary Finding

Salaries, wages and employee benefits account for approximately 50% of the CZ&BG's operating expenses. From 2018 to 2022, these expenses increased by \$3.4 million. The increase is primarily due to 2.75% annual union and non-union raises, merit raises, and several months of salaries and benefits paid for the voluntary separation packages to full-time employees who accepted these packages. With attendance trending back above 1.7 million at the same time there are labor shortages, we anticipate further increases over the foreseeable future.

Review of Expenses by Department

The following exhibits group operating expenses by programs and supporting service areas. The purpose of this analysis is to understand trends and to identify any unusual or nonrecurring items. The expenses in the following exhibits do not include depreciation or interest expense.

Overall there are fluctuating trends in salaries and wages, payroll taxes and benefits, animal food, and operating supplies. Of particular note is the utilities expense across the majority of the departments reflect a downward trend and have remained relatively flat during the review period as CZ&BG made efforts to curtail its utility costs through its sustainability initiatives. Animal food increased modestly, but remained relatively consistent, except for 2021, where it decreased. Also, of particular note is that CZ&BG is growing its own foods and entering into contracts with its vendors to lock in food prices and thereby able to curtail its animal food costs.

Almost all the departments reflect an increase in salaries and wages and payroll taxes and benefits from 2018 through 2020 and 2022 and a decrease in 2021, except for General & Administration, which reflects an increase from 2018 through 2021 and a decrease in 2022. The largest increases of salary and wages and payroll taxes and benefits over the period in review comparing 2022 expenses to 2018 expenses occurred in the General & Administrative (G & A) (58% increase totaling \$958,712) and Fundraising (150% increase totaling \$1,094,461) while the largest decreases occurred in Events and Group Functions (14% decrease totaling \$185,128) and Education (17% decrease totaling 241,464). The increases do not directly correlate to FTEs seen in Exhibit 26 as FTEs remained relatively flat during the period under review. FTEs remained flat as those FTEs who were apart of the Voluntary Separation Packages (VSP) remained on CZ&BG's books as they are paid via payroll until their payment terms end. Management noted that the increase in salaries and wages for General & Administrative in 2021 is a result of approximately \$1.2M being recorded to department 400, which is an Administrative Department, relating to the VSPs that were offered to employees as a result of COVID-19 and the CZ&BG needed to downsize. In addition, in 2022 salaries and wages for General & Administrative decreased slightly due to the Executive Director's (CEO's) Supplemental Executive Retirement Plan (SERP) being paid out.

General expenses fluctuated modestly during 2018 through 2022 for most departments. However, it should be noted that general expenses decreased significantly in 2022 in the Animal Care and Health (59% totaling \$110,188), Facilities and External Properties (60% totaling \$63,481), and General & Administrative (26% totaling \$242,679) departments and increased significantly in 2022 in the Education department (313% totaling \$309,301). Other than the Facilities and External Properties department, maintenance and rent expense have fluctuated to a minimal level. This is largely due to a reclassification of expenses to the Facilities and External Properties department. Major maintenance is comprised mainly of expenses for improvements and replacements to the CZ&BG's infrastructure. These expenses are addressed in more detail within the capital expenditure section of this report.

Exhibit 29

Animal Care and Health Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 6,041,230	\$ 6,269,075	\$ 6,566,046	\$ 5,831,400	\$ 6,719,918
Payroll taxes and benefits	1,808,592	1,846,100	1,892,036	1,756,765	1,971,344
Animal food	1,020,935	1,035,587	1,078,933	846,855	1,053,896
Operating supplies	475,063	580,153	523,077	290,365	562,344
Special project costs	67,023	25,633	37,227	10,750	28,543
Professional services	-	35,823	-	-	-
Maintenance and rent	1,788	6,251	6,552	2,905	6,145
Utilities	673,318	606,905	584,618	594,370	548,042
Insurance	570,684	583,793	650,882	603,735	707,326
General expenses	186,542	318,059	370,887	323,447	76,354
	\$ 10,845,175	\$ 11,307,379	\$ 11,710,258	\$ 10,260,592	\$ 11,673,912
Percentage increase (decrease)	<u>3.1%</u>	<u>4.3%</u>	<u>3.6%</u>	<u>-12.4%</u>	<u>13.8%</u>

Exhibit 30

Horticulture Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 829,512	\$ 922,871	\$ 1,002,457	\$ 752,798	\$ 944,437
Payroll taxes and benefits	240,328	279,053	282,955	262,661	289,355
Operating supplies	249,560	176,038	190,107	84,009	283,417
Special project costs	-	-	3,507	-	-
Maintenance and rent	6,869	10,856	11,407	4,111	21,736
Utilities	10,370	9,580	10,099	10,088	9,302
Insurance	8,789	9,214	11,244	10,248	12,006
General expenses	36,176	43,573	65,387	16,746	55,236
	\$ 1,381,604	\$ 1,451,185	\$ 1,577,163	\$ 1,140,661	\$ 1,615,489
Percentage increase (decrease)	<u>6.9%</u>	<u>5.0%</u>	<u>8.7%</u>	<u>-27.7%</u>	<u>41.6%</u>

Exhibit 31

Membership and Park Operation Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 2,678,045	\$ 2,727,874	\$ 2,830,989	\$ 1,781,920	\$ 2,880,690
Payroll taxes and benefits	549,716	547,829	612,129	458,284	594,130
Operating supplies	877,553	987,174	1,200,189	450,865	582,358
Membership Services	205,132	168,219	138,194	107,694	46,835
Special project costs	24,435	-	-	-	-
Professional services	-	-	-	770	-
Maintenance and rent	13,567	13,450	2,134	892	5,368
Utilities	165,909	141,733	137,968	148,802	139,091
Insurance	140,619	136,337	153,607	151,146	179,516
General expenses	524,928	482,321	563,108	410,423	660,242
	\$ 5,179,904	\$ 5,204,937	\$ 5,638,318	\$ 3,510,796	\$ 5,088,230
Percentage increase (decrease)	<u>8.3%</u>	<u>0.5%</u>	<u>8.3%</u>	<u>-37.7%</u>	<u>44.9%</u>

Exhibit 32

Facilities and External Properties Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 2,029,005	\$ 2,346,943	\$ 2,479,673	\$ 2,152,322	\$ 2,320,192
Payroll taxes and benefits	715,632	778,127	801,671	815,111	834,666
Operating supplies	2,131,839	2,475,182	2,542,264	850,813	1,150,269
Special project costs	-	1,000	1,000	-	1,000
Professional services	109,495	150,299	72,274	7,040	80,875
Maintenance and rent	1,577,477	1,789,992	1,856,524	920,721	832,455
Utilities	135,204	140,977	172,631	52,208	173,933
Insurance	29,615	21,817	24,260	22,111	25,905
General expenses	105,795	70,931	92,800	63,138	42,314
	6,834,062	7,775,268	8,043,097	4,883,464	5,461,609
Percentage increase (decrease)	<u>43.0%</u>	<u>13.8%</u>	<u>3.4%</u>	<u>-39.3%</u>	<u>11.8%</u>

Exhibit 33

General & Administrative Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 1,195,382	\$ 1,294,507	\$ 1,269,251	\$ 2,443,171	\$ 2,220,673
Payroll taxes and benefits	460,524	1,012,026	1,066,541	481,901	393,945
Operating supplies	441,243	687,717	650,389	599,581	777,203
Professional services	236,690	625,790	424,009	368,632	488,324
Maintenance and rent	-	32	1,971	280	-
Utilities	35,901	33,164	31,862	31,828	29,349
Insurance	30,429	31,900	35,473	32,330	37,877
General expenses	945,306	832,460	924,690	672,458	702,627
	\$ 3,345,475	\$ 4,517,596	\$ 4,404,186	\$ 4,630,181	\$ 4,649,998
Percentage increase (decrease)	<u>-6.4%</u>	<u>35.0%</u>	<u>-2.5%</u>	<u>5.1%</u>	<u>0.4%</u>

Exhibit 34

Events and Group Functions Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 1,016,325	\$ 1,132,190	\$ 1,257,450	\$ 693,482	\$ 858,225
Payroll taxes and benefits	300,860	334,179	367,177	304,892	273,832
Operating supplies	972,023	984,383	1,009,777	340,490	822,773
Outreach	854,570	886,115	813,269	224,130	399,090
Group sales	1,109,326	1,791,081	1,781,158	47,505	158,498
Utilities	84,097	77,682	74,633	74,555	70,019
Insurance	71,278	74,724	83,093	75,730	90,368
General expenses	98,056	128,710	141,590	33,545	67,977
	\$ 4,506,535	\$ 5,409,064	\$ 5,528,147	\$ 1,794,329	\$ 2,740,782
Percentage increase (decrease)	<u>-2.1%</u>	<u>20.0%</u>	<u>2.2%</u>	<u>-67.5%</u>	<u>52.7%</u>

Exhibit 35

Education Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 1,125,411	\$ 1,248,739	\$ 1,266,214	\$ 737,718	\$ 923,635
Payroll taxes and benefits	293,134	335,399	347,490	294,019	253,446
Operating supplies	39,425	61,980	54,376	8,916	20,431
Education programs	69,282	107,014	118,694	21,987	56,104
Special project costs	4,310	7,840	-	-	11,100
Professional services	-	-	-	-	30,850
Utilities	106,485	98,362	94,503	94,403	81,147
Insurance	90,253	94,617	105,213	95,891	104,733
General expenses	98,701	104,151	111,303	36,424	408,002
	\$ 1,827,001	\$ 2,058,102	\$ 2,097,793	\$ 1,289,358	\$ 1,889,448
Percentage increase (decrease)	<u>5.3%</u>	<u>12.6%</u>	<u>1.9%</u>	<u>-38.5%</u>	<u>46.5%</u>

Exhibit 36

Crew Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 889,762	\$ 1,014,820	\$ 939,945	\$ 954,819	\$ 1,012,372
Payroll taxes and benefits	276,690	319,839	277,799	254,662	309,240
Operating supplies	187,280	289,848	200,978	314,570	281,508
Special project costs	61,264	70,540	74,496	76,934	82,468
Maintenance and rent	11,177	9,131	11,648	9,199	15,410
Utilities	40,977	37,852	36,368	36,329	33,496
Insurance	34,731	36,411	40,488	36,901	43,233
General expenses	29,213	24,689	27,914	14,703	37,245
	\$ 1,531,094	\$ 1,803,130	\$ 1,609,636	\$ 1,698,117	\$ 1,814,972
Percentage increase (decrease)	<u>1.2%</u>	<u>17.8%</u>	<u>-10.7%</u>	<u>5.5%</u>	<u>6.9%</u>

Exhibit 37

Fundraising Expense Analysis					
	2018	2019	2020	2021	2022
Salaries and wages	\$ 584,078	\$ 642,711	\$ 886,393	\$ 786,705	\$ 1,442,135
Payroll taxes and benefits	145,189	153,645	202,195	210,779	381,593
Operating supplies	125,121	104,849	149,506	35,393	42,544
Special project costs	-	200	100	-	-
Professional services	129,060	108,865	5,219	-	-
Utilities	11,531	10,652	10,234	10,224	9,426
Insurance	9,774	10,246	11,394	10,385	12,166
General expenses	124,656	125,320	134,815	125,201	176,962
	\$ 1,129,409	\$ 1,156,488	\$ 1,399,856	\$ 1,178,687	\$ 2,064,826
Percentage increase (decrease)	<u>-3.2%</u>	<u>2.4%</u>	<u>21.0%</u>	<u>-15.8%</u>	<u>75.2%</u>
	\$ 36,580,259	\$ 40,683,149	\$ 42,008,454	\$ 30,386,185	\$ 36,999,266
Percentage increase (decrease)	<u>7.7%</u>	<u>11.2%</u>	<u>3.3%</u>	<u>-27.7%</u>	<u>21.8%</u>

Summary Finding

During the period in review, CZ&BG was closed to the public from March 15, 2020 until they re-opened to state mandated limited capacity on June 10, 2020 due to the COVID-19 pandemic. As a result of the COVID-19 pandemic and an effort to curtail costs and match its operations, CZ&BG laid off all part-time and seasonal employees and offered Voluntary Separation and Voluntary Retirement packages to approximately thirty-seven (37) full-time employees. This resulted in fluctuation in salaries and wages and payroll taxes and benefits across all departments. Animal food costs remained relatively flat with CZ&BG growing its own food and locking in food prices with vendors. During this period, utilities expense has remained flat due to CZ&BG's efforts to find more economical and sustainable options related to their utility usage.

Interest and Depreciation

During the periods reviewed, long-term financing supplied by commercial banks, the SBA PPP loan, and the Shuttered Venue Operators Grant, has provided funds for a variety of projects and upgrades and operations. Also, during the periods reviewed, CZ&BG repaid all their notes payable. The following Exhibit breaks out interest expense by department. In addition, it reports the average balance of interest-bearing debt and interest as a percentage of average debt.

Exhibit 38

Interest Expense by Operating Category Analysis					
	2018	2019	2020	2021	2022
Animal Care and Health	\$ 135,394	\$ 153,811	\$ 168,672	\$ 128,163	\$ 78,836
Horticulture	2,085	2,428	2,914	2,175	1,338
Membership and Park Operations	33,362	35,920	39,806	32,086	20,008
Facilities and External Properties	4,937	5,748	6,287	4,694	2,887
General & Administrative	7,219	4,939	9,193	6,864	5,323
Events and Group Functions	16,911	19,687	21,532	16,076	10,072
Education	21,412	24,929	27,266	20,356	11,673
Crew	8,240	9,593	10,493	7,833	4,819
Fundraising	2,319	2,700	2,952	2,205	1,356
Total interest	231,879	259,755	289,115	220,452	136,312
Average balance interest bearing debt	\$ 7,566,400	\$ 6,131,000	\$ 8,564,500	\$ 11,422,400	\$ 7,896,500
Interest as a percentage of average debt	<u>3.1%</u>	<u>4.2%</u>	<u>3.4%</u>	<u>1.9%</u>	<u>1.7%</u>

This analysis indicates that interest expense has increased from fiscal years 2018 through 2020 and started a downward trend from fiscal years 2019 through 2022, which is expected given the significant reduction in the CZ&BG's debt by the end of the period under review.

Depreciation

Capital assets consisting of buildings, indoor and outdoor displays, equipment, furniture and fixtures are generally paid for through capital campaigns, donor gifts, estate bequests, grants and government funding. The following schedule summarizes the depreciation of capital assets by operating category.

Exhibit 39

Depreciation by Operating Category					
	2018	2019	2020	2021	2022
Animal Care and Health	\$ 4,026,088	\$ 4,226,111	\$ 4,214,297	\$ 4,570,483	\$ 4,735,821
Horticulture	62,007	66,702	72,803	77,580	80,386
Membership and Park Operations	992,047	986,950	994,565	1,144,229	1,201,929
Facilities and External Properties	146,816	157,935	157,079	167,386	173,442
General & Administrative	214,672	230,930	229,678	244,749	253,603
Events and Group Functions	502,852	540,934	538,004	573,305	605,052
Education	636,719	684,938	681,227	725,926	701,226
Crew	245,025	263,580	262,153	279,354	289,459
Fundraising	68,952	74,174	73,772	78,611	81,456
	<u>\$ 6,895,178</u>	<u>\$ 7,232,254</u>	<u>\$ 7,223,578</u>	<u>\$ 7,861,623</u>	<u>\$ 8,122,374</u>
Average Remaining Depreciable Life	<u>10.75</u>	<u>10.81</u>	<u>11.80</u>	<u>11.68</u>	<u>11.64</u>
<i>(Average net book value less land/Depreciation)</i>					

The CZ&BG depreciates buildings and displays over 10 to 20 years. Other equipment and furniture are assigned depreciable lives of three to ten years. The CZ&BG's estimated lives appear conservative.

Revenue and Expenditure Projection Analysis for the Upcoming Levy Period

This section includes a five-year revenue and expense projection calculated according to the following different scenarios.

For our analysis we used the following assumptions based on discussion and input from the CZ&BG. Flat but stable attendance of 1.73 million is forecasted through 2028, in line with 2023 actual attendance.

Future operating expenses based on a fiscal year 2024 expense forecast were provided by the CZ&BG and were reviewed by HW&Co. for reasonableness are presented in the exhibit below:

Exhibit 40

Actual and Forecasted Operating Expenses for Cash Flow Analysis							
	Audited 31-Mar 2020	Audited 31-Mar 2021	Audited 31-Mar 2022	CZ&BG Preliminary (1) 31-Mar 2023	CZ&BG Forecasted (2) 31-Mar 2024	CZ&BG Forecasted Increase (Decrease) 2022 - 2023	CZ&BG Forecasted Increase (Decrease) 2023 - 2024
Salaries and wages	\$ 18,498,418	\$ 16,134,335	\$ 19,322,277	\$ 21,019,873	\$ 23,090,430	8.79%	9.85%
Payroll taxes and benefits	5,849,993	4,839,074	5,301,551	6,632,815	7,095,456	25.11%	6.98%
Animal food	1,078,933	846,855	1,053,896	1,055,716	1,287,162	0.17%	21.92%
Operating supplies	6,520,663	2,975,002	4,522,847	4,701,767	5,343,310	3.96%	13.64%
Outreach	813,269	224,130	399,090	473,850	500,900	18.73%	5.71%
Membership Services	138,194	107,694	46,835	30,000	30,000	-35.95%	0.00%
Group sales	1,781,158	47,505	158,498	76,996	85,120	-51.42%	10.55%
Education programs	118,694	21,987	56,104	59,641	94,665	6.30%	58.72%
Special project costs	116,330	87,684	123,111	215,935	313,575	75.40%	45.22%
Professional services	501,502	376,442	600,049	356,000	333,500	-40.67%	-6.32%
Rent and maintenance	1,890,236	938,108	881,114	1,096,150	1,057,504	24.41%	-3.53%
Utilities	1,152,916	1,052,807	1,093,805	1,179,600	1,243,200	7.84%	5.39%
Insurance	1,115,654	1,038,477	1,213,130	1,200,000	1,224,000	-1.08%	2.00%
Interest	289,115	220,452	136,312	18,000	19,200	-86.79%	6.67%
Depreciation	7,223,578	7,861,623	8,122,374	8,100,000	8,400,000	-0.28%	3.70%
General expenses	2,432,494	1,696,085	2,226,959	2,856,547	2,967,415	28.27%	3.88%
	<u>49,521,147</u>	<u>38,468,260</u>	<u>45,257,952</u>	<u>49,072,890</u>	<u>53,085,437</u>	<u>8.43%</u>	<u>8.18%</u>
Interest	(289,115)	(220,452)	(136,312)	(18,000)	(19,200)	-86.79%	6.67%
Depreciation	(7,223,578)	(7,861,623)	(8,122,374)	(8,100,000)	(8,400,000)	-0.28%	3.70%
Operating Expenses	<u>42,008,454</u>	<u>30,386,185</u>	<u>36,999,266</u>	<u>40,954,890</u>	<u>44,666,237</u>	<u>10.69%</u>	<u>9.06%</u>
(1) The March 31, 2023 preliminary results are based on CZ&BG's internal records and are not expected to materially change when audited and finalized.							
(2) The 2024 forecasted expenses were provided by the CZ&BG and in our opinion appear conservative in nature and reflect the considerable uncertainty regarding inflation and the ability to attract seasonal labor							

Future operating expenses beyond March 30, 2024 will be inflated by 3.5% which is conservative considering revenues are being projected to increase 3%.

Future operating revenues associated with gate attendance and memberships will have projected annual increases of 3%, based off the preliminary March 31, 2023 results. Unrestricted gifts, designated gifts and sponsorships will be based off of trailing 5-year averages through March 31, 2023, then inflated by 3%. Debt service and endowment transfers were provided by the CZ&BG. We believe all assumptions are conservative and reasonable. Our full analysis is presented in the following exhibit with zero levy increase for presentation purposes.

Exhibit 41

Five Year Projected operating income and cash flows With Zero Levy Increase for Inflation	2025 THROUGH 2028 ATTENDANCE STABLE AT 1.73 MILLION INFLATION - 3% REVENUE 3.5% EXPENSE PROJECTED FISCAL YEARS ENDED						
	Audited 12-months ended 3/31/2022	CZ&BG Preliminary 12-months ended 3/31/2023	CZ&BG Projected 12-months ended 3/31/2024	3/31/2025	3/31/2026	3/31/2027	3/31/2028
Attendance	1,637,180	1,733,940	1,730,000	1,730,000	1,730,000	1,730,000	1,730,000
Operating Revenues							
Admissions	12,167,369	11,822,513	12,177,000	12,542,000	12,918,000	13,306,000	13,705,000
Memberships	12,043,935	13,344,460	13,745,000	14,157,000	14,582,000	15,019,000	15,470,000
Attractions	1,269,285	1,308,043	1,347,000	1,387,000	1,429,000	1,472,000	1,516,000
Parking	1,359,826	1,359,923	1,401,000	1,443,000	1,486,000	1,531,000	1,577,000
Programs	909,192	1,672,093	1,722,000	1,774,000	1,827,000	1,882,000	1,938,000
Commissions (food & gift shop)	3,923,566	4,464,041	4,598,000	4,736,000	4,878,000	5,024,000	5,175,000
Rental income	717,211	697,718	719,000	719,000	719,000	719,000	719,000
Other income	1,705,883	2,009,359	2,070,000	2,132,000	2,196,000	2,262,000	2,330,000
Unrestricted Gifts	2,078,705	1,723,722	1,931,000	1,989,000	2,049,000	2,110,000	2,173,000
Designated Gifts and Grants	2,351,781	2,765,814	2,296,000	2,365,000	2,436,000	2,509,000	2,584,000
Sponsorships (Marketing & Events)	3,022,696	3,468,525	3,469,000	3,573,000	3,680,000	3,790,000	3,904,000
Tax Levy	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
	48,549,449	51,636,211	52,475,000	53,817,000	55,200,000	56,624,000	58,091,000
Operating Expenses	36,999,266	40,954,890	44,666,200	46,230,000	47,848,000	49,523,000	51,256,000
Operating income	11,550,183	10,681,321	7,808,800	7,587,000	7,352,000	7,101,000	6,835,000
Adjustments							
Investment income - operations	34,708						
Debt Service - Interest	(136,312)	(25,000)	(11,000)	(2,000)	(1,000)		
Debt Service - Principal (A)	(635,000)	(290,000)	(295,000)	(35,000)	(35,000)		
Endowment transfers to operations	993,780	1,064,832	1,097,000	1,130,000	1,164,000	1,199,000	1,235,000
Cash flow before unfunded capital reinvestment (B) (C)	\$ 11,807,359	\$ 11,431,153	\$ 8,599,800	\$ 8,680,000	\$ 8,480,000	\$ 8,300,000	\$ 8,070,000
Unfunded capital reinvestment (D)	(2,847,046)	(6,373,078)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Impact on Cash Position	\$ 8,960,313	\$ 5,058,075	\$ 3,599,800	\$ 3,680,000	\$ 3,480,000	\$ 3,300,000	\$ 3,070,000
(A) Debt service to be paid from operating funds.							
(B) The CZ&BG estimates that \$5 million is needed annually to pay for unfunded capital reinvestment.							
(C) The 2022 results are presented for analysis purposes only and do not include Government Stimulus Funds							
(D) Unfunded capital reinvestment to existing infrastructure, based on available funds. \$5 Million is estimated long-term average. Actual expenditures will likely fluctuate greatly over time.							

Exhibit 42

Consideration of an inflationary increase to Levy Revenue:

Hypothetical inflationary increases to the Levy						Five Year Total
	3/31/2024	3/31/2025	3/31/2026	3/31/2027	3/31/2028	
Cash flow before unfunded capital reinvestment with zero levy increase from above:	\$ 8,599,800	\$ 8,680,000	\$ 8,480,000	\$ 8,300,000	\$ 8,070,000	\$42,129,800
Less levy revenue included above	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)	(35,000,000)
Cash flow before unfunded capital reinvestment and levy revenue	1,599,800	1,680,000	1,480,000	1,300,000	1,070,000	7,129,800
Levy revenue with 5-year inflationary increase	<u>7,959,000</u>	<u>7,959,000</u>	<u>7,959,000</u>	<u>7,959,000</u>	<u>7,959,000</u>	<u>39,795,000</u>
Cash flow before unfunded capital reinvestment and levy revenue - 5-year increase	<u>\$ 9,558,800</u>	<u>\$ 9,639,000</u>	<u>\$ 9,439,000</u>	<u>\$ 9,259,000</u>	<u>\$ 9,029,000</u>	<u>\$46,924,800</u>
Cash flow before unfunded capital reinvestment and levy revenue	1,599,800	1,680,000	1,480,000	1,300,000	1,070,000	7,129,800
Levy revenue with 10-year inflationary increase	<u>8,148,000</u>	<u>8,148,000</u>	<u>8,148,000</u>	<u>8,148,000</u>	<u>8,148,000</u>	<u>40,740,000</u>
Cash flow before unfunded capital reinvestment and levy revenue - 10-year increase	<u>\$ 9,747,800</u>	<u>\$ 9,828,000</u>	<u>\$ 9,628,000</u>	<u>\$ 9,448,000</u>	<u>\$ 9,218,000</u>	<u>\$47,869,800</u>
Cash flow before unfunded capital reinvestment and levy revenue	1,599,800	1,680,000	1,480,000	1,300,000	1,070,000	7,129,800
Levy revenue with 15-year inflationary increase	<u>9,821,500</u>	<u>9,821,500</u>	<u>9,821,500</u>	<u>9,821,500</u>	<u>9,821,500</u>	<u>49,107,500</u>
Cash flow before unfunded capital reinvestment and levy revenue - 15-year increase	<u>\$ 11,421,300</u>	<u>\$ 11,501,500</u>	<u>\$ 11,301,500</u>	<u>\$ 11,121,500</u>	<u>\$ 10,891,500</u>	<u>\$56,237,300</u>

Summary Finding

The above analysis indicates that if attendance stabilizes at 1.73 million visitors and the current levy is renewed without an increase, the CZ&BG cash flows will remain positive above the level required to fund capital reinvestment. Increasing the levy revenues for inflation using a 5-year, 10, year or 15-year schedule would further add to the positive cash flows in excess of funds needed for unfunded capital reinvestment.

VII. Operations Analysis

The Operations Analysis Section addresses the topics of Effectiveness of Strategic Planning, Review of Insurance Coverage, and Review of Major Contracts.

Effectiveness of Strategic Planning

We have reviewed the effectiveness of the CZ&BG's recent strategic planning with reference to five key factors: Internal Strengths, Stakeholder Perception, Customer Satisfaction, Health, Safety and Environment and Economic Impact to the Region.

1. Internal strengths

- a. Flexibility:
The CZ&BG demonstrated flexibility during the most recent levy cycle navigating a global pandemic. They maintained animal care, organization operations and safely resumed public attendance.
- b. Strategic value:
The CZ&BG has been able to increase its strategic value by introducing new exhibits, renovating older exhibits, and further developing community relationships with Hamilton County, the Greater Cincinnati area, the community of Avondale, the UpTown Cincinnati development project, as well as with local neighbors, such as the Cincinnati Children's Hospital, the University of Cincinnati, and the Veteran's Administration Clinic of Cincinnati.
- c. Learning:
The CZ&BG emphasizes the value of learning for both its employees and its customers. All employees are encouraged to expand their job knowledge and professional expertise. Visitors to the CZ&BG are entertained and educated by the staff of CREW, CZ&BG's staff and caretakers, and CZ&BG's volunteers. The Cincinnati Zoo Academy of the Hughes High School provides zoological and botanical education to local students. Additionally, CREW provides post-doctoral training for veterinarians.

2. Stakeholder perception

- a. Local government:
The CZ&BG has established and continues to nurture positive local government relations with Hamilton County, the City of Cincinnati, local neighborhoods, and with the visitor bases of Ohio, Northern Kentucky, and Southeast Indiana.
- b. Press coverage:
The CZ&BG activity promotes a positive image through all forms of media, including press, television, radio, and social media channels. The Executive Director, members of CREW, and animal caretakers are interviewed regularly on local television and radio stations. Members of the CZ&BG staff speak on a regular basis with community, school, church, and social clubs.
- c. Employee satisfaction:
The CZ&BG employees and volunteers enjoy a pleasant, yet challenging work environment. The level of employee satisfaction is demonstrated by the low level of employee turnover and the longevity of volunteer relationships.

3. Customer satisfaction

- a. Product quality:
CZ&BG is accredited by the Association of Zoos and Aquariums (AZA). TripAdvisor ranks the CZ&BG as a top attractions in the Cincinnati Area. Individual consumer rankings on the Trip Advisor website are very favorable with approximately 4,000 reviews and an average rating of 4.5 out of 5.0. In most instances as being either “Excellent” or “Very Good”
- b. Customer service:
Our research on product quality, summarized above, also indicates that overall customer service at the CZ&BG is "very good to excellent." Comments suggest the staff is helpful and friendly, the CZ&BG's grounds are well-maintained and clean, and the animals appear to be well cared for and comfortable in their habitats. Negative comments are related primarily to parking and the cost of concessionaire food and beverage services.
- c. Repeat customers:
The best source of data relative to repeat customers is the high level of membership at CZ&BG. Membership at CZ&BG continually grow year over year, COVID year (FY21) excepted, with record high membership revenue in FY22.

4. Health, safety, and environment

- a. Public health and safety:
The CZ&BG meets all public health and safety requirements of the AZA, USDA, ADA and AAM.
- b. Worker health and safety:
The CZ&BG meets all worker health and safety requirements of the AZA, USDA, ADA and AAM.
- c. Environmental impact:
The CZ&BG has been effective in reducing its environmental footprint over the period of the current levy. The use of water has been significantly reduced and has resulted in lower operating costs. Electrical costs have been reduced by the implementation of a solar panel joint venture project which provides the added benefit of shaded parking areas.

5. Economic impact on the region

Past Studies have shown that CZ&BG brings economic value to the County. As a major Cincinnati attraction, CZ&BG had a half million of non-local visitors in FY22 who generated millions of dollars in off-site spending on food, drink, hotel shopping and entertainment. Based upon the findings CZ&BG has a favorable economic impact on the Greater Cincinnati region.

AZA analysis confirms the economic impact of zoos and aquariums. “The before and after visitor spending have economic benefits that far exceed capital outlays.” Annual zoo expenditures are a vital source of income and jobs and result in recycled and re-spent dollars by businesses and residents in the community.

Review of Past Accreditation Reviews and CZ&BG Responses

Overview

The Zoo and Aquarium facilities of the CZ&BG receive accreditation from the Association of Zoos and Aquariums (AZA). Accreditation for The Botanical Gardens of the CZ&BG has changed. CZ&BG is pursuing accreditation with an organization that more closely aligns with their operations. As of the report date CZ&BG has not completed the accreditation process.

Latest AZA Accreditation Inspection took place June 17-20, 2019. The AZA provided a report noting items of concern to which CZ&BG provided a written response dated July 31, 2019 addressing all concerns.

The AZA fully accredited CZ&BG through December 2024.

Concerns Remaining From Previous Inspection

AZA comment in the current Inspection report indicated that there were no unresolved concerns from the 2014 report.

Concerns From the Most Current Inspection

AZA Concerns and CZ&BG Responses relative to the Accreditation Report have been condensed and grouped based on the 13 areas inspected.

General Information: No Concerns noted.

Animal Welfare, Care & Management:

AZA comment: Habitats did not meet the standards of current zoological practices for select animals: Andean bear, snow leopard, hornbill and night hunters

CZ&BG response: Recognized the AZA concerns and planned updates or enhancements noting completed item or targeted completion dates.

AZA comment: Current training practices reward and encourage the female elephants to reach through the barrier and come in physical contact with the keeper staff without the keeper's invitations or consent.

CZ&BG response: The observed incident occurred during a blood draw session which differs from daily interaction. The methodology was updated and implemented at the date of response to provide a more consistent reaction to trunk contact.

Veterinary Care:

AZA comment: Hospital's surgery lack automatic emergency lighting.

CZ&BG response: An emergency back up light has been installed in the surgery. Completed at the date of response.

Scientific Advancement: No Concerns noted.

Conservation: No Concerns noted.

Education and Interpretation: No Concerns noted.

Governing Authority: No Concerns noted.

Staff: No Concerns noted.

Support Organization: No Concerns noted relative to the Cincinnati Zoo Foundation

Finance: No Concerns noted.

Physical Facilities:

AZA comment (same comment as in Animal Welfare, Care & Management): Habitats did not meet the standards of current zoological practices for select animals: Andean bear, snow leopard, hornbill and night hunters

CZ&BG response: Recognized the AZA concerns and planned updates or enhancements noting completed item or targeted completion dates.

AZA comment: Monkey holding lacks automatic emergency lighting.

CZ&BG response: Emergency exit signage and lighting has been installed above two exit doors. Completed at the date of response.

Safety and Security:

AZA comment: Areas of concern where members of the public are not adequately protected from direct animal contact. The areas included:

- Chinese Alligator
- North American River Otter
- Bobcat
- Penguin
- White Lion
- Gibbon viewing on Jungle Trails
- Gibbon Island
- Bonobo exhibit

CZ&BG response: Adequate barriers had been installed at the date of response for 5 of the locations noted above with the remaining barriers being installed in the following months when materials could be obtained.

AZA comment: The two offsite facilities, Mast Farm and Bowyer Farm lack a perimeter fence around the entire property. Note: the animal enclosure areas include primary and secondary containment fences.

CZ&BG response: Additional fencing will be installed in the following months when materials can be obtained.

AZA comment: Not all required emergency drills during the last five years were not completed, of the 20 required drills 11 were completed.

CZ&BG response: A drill plan was created with a schedule to complete all required drills.

Guest Services: No concerns noted.

Strategic Planning: No Concerns noted.

Points of Particular Achievement Noted by the Visiting Committee:

During the inspection, the Visiting Committee was particularly impressed with:

- The culture of the zoo, particularly at the frontline staff areas
- Staff members were friendly, open to answering questions and staff retention is high
- The landscaping throughout with the variety of plantings and having plants labelled
- The World of Insects continues as a shining star for the zoo
- Conservation research and sustainability are high quality and models for the profession
- Conservation and Research of Endangered Wildlife (CREW) is a recognized leader in research within the zoological scientific field.
- The volunteer program is impressive
- Programming in place for the benefit of underserved audiences with two programs noted as outstanding.
- Strong positive working relations exists between paid staff and the governing authority
- Well thought out and succinct strategic plan with several initiatives regularly pursued.

HW&Co. Conclusion:

Overall, the AZA Inspection Report is favorable. All concerns were remediated in a professional, timely and comprehensive manner.

Review of Insurance Coverage

Our review of the insurance coverage of the CZ&BG concludes that levels of General Liability, Umbrella Liability and Crime Insurance appear to be adequate to protect the CZ&BG, its employees and volunteers, including Trustees, from most liability claims.

The leadership of the CZ&BG appears to be acting prudently in its insurance planning and outlook. We recommend that the CZ&BG management review the levels of coverage and deductibles with its insurance broker(s) whenever the policies are renewed or whenever there are significant operational changes and/or changes in the risk environment.

Review of Major Contracts

We identified four major contracts and/or agreements impacting current and future operations of the CZ&BG. They include:

1. The Tax Levy agreement with Hamilton County
2. A contract with the City of Cincinnati covering the management of real and personal property
3. A contract with AFSCME/AFL-CIO Ohio Council 8 (the Union contract)
4. A concessionaire agreement with Service Systems Associates, Inc.

An analysis of each contract follows. Special attention will be given to the Tax Levy contract and to the solar power purchase agreement. References to the parties in the following analyses vary depending upon the language used in the specific contract. That is, if a contract refers to CZ&BG as "the Zoo", we will do so as well. By contrast, if a contract uses the term "the Zoo Society", we use that term in our analysis.

1. The Tax Levy Contract with Hamilton County

On May 16, 2019, the Board of County Commissioners, Hamilton County, Ohio (the County) entered into an agreement with the Zoological Society of Cincinnati (the Zoo) to enact a five-year tax levy totaling .46 mills. The agreement, formally titled Agreement between the Board of County Commissioners of Hamilton County, Ohio and the Zoological Society of Cincinnati, was pursuant to Hamilton County voter approval in May 8, 2018. The purpose of the Zoo Levy is to provide or maintain zoological park services and facilities. The contract stipulates that the tax is to be levied on 2018, 2019, 2020, 2021, and 2022 tax duplicates. Beginning on January 1, 2019, its term extends through December 31, 2023.

The Agreement's "Scope of Services" specifies that Levy proceeds "shall only be used for direct costs of operating the Zoo in one or more of the following categories." The categories stipulated in the Levy contract are also referred to as "Qualifying Area Expenditures" and include:

- Animal Operations
- Animal Health
- Environmental Services
- Horticulture
- Maintenance

For purposes of the Tax Levy agreement, "direct costs are those expenses that have a direct benefit and are directly attributable to one or more of the above categories." According to the agreement, such costs are to be clearly distinguished from indirect costs. The contract stipulates that "in no event can Levy proceeds be utilized for indirect costs incurred for a common or joint purpose and therefore are not readily attributable to one of the above categories."

This general statement of the separation of direct from indirect costs, and the Levy's funding of only the former, is followed, later in the agreement, with statements that could be seen to dilute its meaning. To wit, in Section 7 of the contract, "proceeds of the levy" are characterized as "the payer of last resort," a much more general description of what the levy is intended for. Language later in Section 7 reads, "specifically, the Zoo agrees that over the five-year levy period the Zoo will pay, from Non-Levy funds, no less than 30% of the actual amount of Qualifying Area Expenditures".

Exhibit 43

Qualifying Area Expenditures Paid By Levy vs. Internally Funded						
Description	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Five Year Average
Animal Operations & Health	\$ 9,942,134	\$ 10,798,160	\$ 11,291,193	\$ 9,515,309	\$ 10,568,292	\$ 10,423,018
Environmental Services	823,220	890,700	967,300	617,346	883,357	836,385
Maintenance	5,482,588	5,894,096	6,037,088	4,373,722	5,069,702	5,371,439
Horticulture	1,326,780	1,394,066	1,521,894	1,086,034	1,543,337	1,374,422
Total Qualifying Expenditures	17,574,722	18,977,022	19,817,475	15,592,411	18,064,688	18,005,264
Levy Funds Provided	6,550,000	6,662,500	7,000,000	7,000,000	7,000,000	6,842,500
Internally Funded	11,024,722	12,314,522	12,817,475	8,592,411	11,064,688	11,162,764
	\$ 17,574,722	\$ 18,977,022	\$ 19,817,475	\$ 15,592,411	\$ 18,064,688	\$ 18,005,264
Levy Funds Provided	37.3%	35.1%	35.3%	44.9%	38.7%	38.0%
Internally Funded by CZ&BG	62.7%	64.9%	64.7%	55.1%	61.3%	62.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Source: Zoo Management and County Records						

Section 7 of the contract also states that the "Zoo agrees to notify the County quarterly in writing, of any projected increase of five percent (5%) or more in Non-Levy Revenues. For purposes of this Agreement Non-Levy Revenues includes all potential non-restricted sources of revenue, including but not limited to gate receipts, parking fees, and contributions.

While section 7 of the contract with Hamilton County is not entirely clear, we believe the CZ&BG was required to notify the County regarding the receipt the \$10 million Shuttered Venue Grant under the terms of the contract. The purpose of the SVG was to cover many of the same expenses covered by the Levy. It is our understanding Hamilton County was not notified of the receipt of the SVG.

Section 10B of the contract requires the following:

During the term of this Agreement, the Zoo agrees to:

- i) Provide the County and/or the Hamilton County Tax Levy Review Committee ("TLRC") a Mid-Term Evaluation Report ("Mid Term Evaluation Report") on the Zoo's strategic long-term financial plan for the next levy period through the completion of the next expansion plan (as announced in mid-2018) when requested pursuant to Section 10.8.

The Mid Term Report shall include the following risks identified in the 2018 performance review prepared by Howard Wershale & Co.:

1. Future attendance capacity;
 2. Future revenue potential will not keep pace with needed fixed costs;
 3. Operating costs due to aging infrastructure and increased animal care standards;
 4. Stability of the endowment fund; and
 5. Future expansion will increase fixed costs to an unsustainable level.
- ii) Provide separate accounting for property located in Clermont and Warren counties.
- iii) Evaluate current pricing of memberships, gate admissions and discount programs, including resident discounts.
- iv) Work with the Association of Zoos and Aquariums (AZA) to update industry data on Zoo operations.

We noted that the Mid Term report was due during August, 2021 and due to COVID-19 was held virtually and did not formally include the items above. This was understandable due to the timing. We do believe these risk items should be formally addressed during the next Mid Term and should include representation from the Zoo Society and Foundation.

Section 15 of the contract covers the Hamilton County Resident Program. Under the terms of the contract the CZ&BG is required to provide half-priced admission to residents for one (1) full weekday, and two (2) part weekdays (or, at the Zoo's option, two (2) part weekend days after 4 p.m.), each year between the dates of May 15 and September 15. We noted that this program was stopped in 2020 and has not been reinitiated.

Summary Findings:

Under the terms of their contract with Hamilton County, in our opinion the CZ&BG was required to notify the County regarding the receipt the \$10 million Shuttered Venue Grant. In addition, under the contractual Hamilton County Resident Program the CZ&BG is required to provide half-priced admission to residents for one (1) full weekday, and two (2) part weekdays (or, at the Zoo's option, two (2) part weekend days after 4 p.m.), each year between the dates of May 15 and September 15. We noted that this program was stopped in 2020 and has not been reinitiated as required by the agreement.

2. Contract with the City of Cincinnati

Beginning July 1, 1957, the Zoological Society (the Zoo) entered into a series of contracts and contract amendments with the City of Cincinnati (the City), under which the Zoo agreed to operate and maintain all of the real and personal property of the City known as the Cincinnati Zoo and Botanical Gardens. On August 18, 2011, in the second amendment to the current contract, the City extended the term of the contract through December 31, 2061. There were no further amendments during the current levy period. The Zoo appears to be in compliance with the terms and conditions of its current contract with the City.

3. Union Contract

On September 16, 2017, the Zoo Society entered into its current contract with Local 282, Cincinnati Zoological Society Employees, Ohio Council 8, American Federation of State, County and Municipal Employees, AFL-CIO (the Union). Under the contract, which extends through September 10, 2021, the Zoo Society recognizes the Union as the sole and exclusive collective bargaining agency for the following groups of employees:

- Team Leaders
- Head Keepers
- Animal Keepers / Relief Keepers
- Night Keepers
- Building Maintenance Personnel
- Gardeners

Items of Notable Significance:

The Society may hire as many Non-Union temporary employees, at rates determined by the Society, as it deems necessary for the following purposes:

- To assist Building Maintenance, Gardeners and Ground Maintenance Personnel, except that these employees will not be permitted to operate heavy machinery;
- To assist with animal care

Non-Union temporary employees generally limited to 12 months before potentially being reclassified to union employees and there are some restrictions on the duties that such employees may perform.

Of note within the Union contract is its stipulation that pay increases "may be conditioned upon satisfactory performance and progress in the classification assigned." Actual increases in minimum wages during the period of the Union contract have been within the range of 2.5% to 3.0% per annum, a significant increase, especially given the low inflation rates of the past several years.

In accordance with the terms of the Union contract, the Zoo Society also provides employee benefits to full-time Union employees. The package provided is similar to the employee benefits available to full-time Non-Union employees. Some differences include the method used to fund the Union employees' vision, dental, and life insurance. This insurance is funded through contributions to the Union's Health & Welfare Plan. The Zoo Society appears to be in compliance with the terms and conditions of its contract with the Union.

4. Concessionaire Agreement

The Concessionaire Agreement was entered into by and between the Zoological Society of Cincinnati, Inc. (the Zoo or Society) and Service Systems Associates, Inc. (the Concessionaire) on July 7, 2010. The term of the Agreement is from July 10, 2016 until September 30, 2025. Thereafter, the Agreement can be extended for periods of five years by mutual written consent of the parties to the Agreement.

The Agreement provides the Concessionaire with the exclusive privilege to operate the Food Service and Merchandising Business at the Zoo facilities. This exclusivity is subject to pre-existing agreements for the provision of certain food and beverage items provided under Sponsorship Agreements in force at the time of the execution of the Agreement (e.g., La Rosa's Pizza, Skyline Chili, and United Dairy Farmers Dairy Products). Per the Agreement, the Zoo must consult with the Concessionaire prior to entering into any new Sponsorship Agreements subsequent to the execution of the Agreement. The CZ&BG also maintains the right to license photographic image rights.

Remuneration under the Agreement comes in the form of "Monthly Rent" equal to the applicable percentage of Gross Receipts for merchandise sold as follows:

Exhibit 44

<u>Contract Analysis--The Concessionaire Agreement</u>		
Category:	Sales subject to Commission:	Commission:
Concession Food and Beverage	All Receipts	25.5%
Concession Vending	All Receipts	45%
Member Food & Beverage 20% Discount	All Receipts	14%
Retail Gifts	All Receipts	29%
Catering Food, Beverage, & Alcohol	All Receipts	15%

If, in any applicable year, CZ&BG attendance exceeds 1,000,000 visitors, another part of the Agreement (the "Annual Guarantee" section) stipulates the Concessionaire will pay the amount, if any, by which the applicable "Guarantee Amount," as set forth in the table below, exceeds the total "Monthly Rent" for that calendar year. The guarantee amounts appear to be a conservative hurdle for the Concessionaire to meet. To date, annual attendance has exceeded 1,000,000 visitors and the Concessionaire's payments to the CZ&BG have exceeded the annual guarantee amounts.

On January 23, 2012, the agreement was amended as follows:

- The initial funded capital improvement amount, to be funded by the Concessionaire, was reduced from \$4,000,000 to \$1,315,000 (based upon actual costs).
- The additional funded capital improvement amount, for future capital improvements by the Concessionaire, was reduced from \$1,000,000 to \$500,000.

Should the Agreement terminate, the following items will become deliverables by and between CZ&BG and the Concessionaire:

- Zoo Facilities – Concessionaire shall deliver the Zoo facilities any existing equipment to the Society in good condition and state of repair.
- Remuneration – Concessionaire shall promptly pay any accrued rent or other amounts due but not yet paid to the Society.
- Inventory – Society or successor concessionaire shall purchase from the Concessionaire, at book value, the food service and merchandise inventory bearing the logo or name of the Cincinnati Zoo.
- Furniture, Fixtures and Equipment (FF&E) – the Society, at its option, may purchase any or all of the FF&E provided by the Concessionaire as depreciated value or fair market value of the FF&E as mutually agreed upon by the parties. This option is available to the Society within 14 days of the termination. The Concessionaire has the right and obligation to remove any FF&E if the Society does not exercise its purchase option.
- Leasehold Improvements – if the Agreement expires or is terminated without cause, the Society is obligated to pay the Concessionaire the remaining unamortized value of all Leasehold Improvements installed by the Concessionaire.

The Society appears to be complying with the terms and conditions of the Agreement and appears to be satisfied by the performance of the Concessionaire.

Summary Findings:

We find that the Concessionaire Agreement with Service Systems Associates, Inc. (SSA) is well thought out and a significant benefit to the CZ&BG. SSA is a national company that specializes in operating concessions and gift shops for zoos, aquariums and museums all over the country. SAA manages the revenue flow and the CZ&BG receives a commission based on total sales. Recent expansion that includes the new beer garden and food trucks are seamlessly operated by SSA providing CZ&BG with increased commission revenues without incurring additional operating expenses.

Review of Farm Operations

Mast Farm and Bowyer / Bogen Farm

Mast Farm (Clermont County):

The 104 acre Mast farm was donated in 2000 and is owned outright by the CZ&BG. It consists of 130 acres. Currently, the Mast Farm does not generate any revenue. In 2022, it incurred expenses that resulted in a net loss of \$186,777. The net loss for 2023 is projected to be \$193,825. The losses do not reflect that as much as 10,000 bales of hay are produced annually for the CZ&BG which we understand more than offsets the above mentioned losses.

The Exhibit below, which was provided by Management, presents a separate accounting of each external property's direct revenues and expenses.

Exhibit 45

Warren & Clermont County Financial Analysis				
	Warren County Farm (Bowyer/Bogen)		Clermont County Farm (Mast)	
	2022	2023	2022	2023
	Actual	Projected	Actual	Projected
Revenue:				
Farm Rent - Schappacher	\$ 52,390	\$ 55,000	\$ -	\$ -
Other Revenue (Grant noted below)	2,770 A	2,770 A	-	-
Total Revenue	55,160	57,770	-	-
Expense:				
Payroll & Benefits	52,780	55,000	80,887	85,000
Animal Food	0	0	60,000	60,000
Credit Card Fees & Postage	34	0	19	0
Other Operating	14,160	15,000	5,689	6,000
Outside Services	5,379	5,000	11,106	12,000
Equipment Repair	2,139	2,000	2,130	2,500
Electric	1,060	1,000	11,457	12,000
Gas	1,606	1,500	14,621	15,000
Sewer & Water	8,853	10,000	563	1,000
Technology Supplies	1,606	2,000	115	125
Travel & Entertainment	65	0	0	0
Dues & Subscriptions	241	250	190	200
Property Taxes	13,140 B	15,000 B	0	0
Total Expense	101,062	106,750	186,777	193,825
Total Operating Loss	\$ (45,902)	\$ (48,980)	\$ (186,777)	\$ (193,825)
A: We have returned part of the land at Bogen/Bowyer into a native wetlands via a grant. We receive a small amount of revenue related to this annually.				
B: We have a CAUV exemption on the property.				

It should be noted that not all expenses related to animal breeding programs conducted at the Mast Farm are included within the analysis above.

The CZ&BG has a full-time and a part-time staff on site who is in charge of cheetah breeding and animal care.

The cheetah breeding program is maintained at the Mast farm as well as the farm is used to produce a majority of the food and browse (the plant material such as twigs, branches, etc.) for feeding the animals at the Zoo. Currently the Mast farm occupants are:

- 4 African painted dogs
- 1 breeding male okapi
- 1 pair of trumpeter swans
- 14 cheetahs

The Cincinnati Zoo is one of only ten accredited institutions that participate in the cheetah Breeding Center Coalition to create a sustainable population and prevent extinction. There have been 64 cubs born at the Mast Farm location since it opened in 2002, 48 of which survived.

Bowyer / Bogen Farm (Warren County):

The Bowyer farm was donated to the CZ&BG in 1995 with the condition that they maintain the property in perpetuity for zoological purposes.

The Boyer farm generated \$55,160 in revenues in 2022 from property rental, farm production and grant revenue. In 2022, it incurred expenses of \$101,062 that resulted in a net loss of \$45,902.

For 2023, revenues are projected to be \$57,770 and expenses are projected to be \$106,750. The net loss for 2023 is projected to be \$48,980.

The CZ&BG partners with a local farmer to grow ~10,000 bales of hay annually for our animals at the Zoo.

Grant dollars have supported the development of farm infrastructure including a pole barn for storage, restrooms, and a cheetah running facility. CZ&BG will be marketing a Cheetah Run BTS Tour beginning in fall 2023 where participants will learn about cheetah adaptations, see a cheetah run, and hear what CZ&BG is doing to help save the cheetah.

The Zoo's education department conducts educational programs (4 sessions of summer camp) at the Bowyer Farm that include tapping maple trees, monitoring wetland ecology, and more.

Family community service events – for example, frog watch nights in collaboration with ZooTeens and local herpetological organizations.

Cash Management Policies and Procedures

During the term of the current levy, we noted no significant changes to the CZ&BG already sophisticated cash management policies and procedures, except for during and post COVID-19 check payments came into the Development and Finance departments. When a check was received it is stamped “for deposit only” by a department employee then scanned to the Group Sales and Education for verification.

The process revolves around “Cash Recycler” equipment. The combination of the policies and procedures and the “Cash Recycler” equipment results in a safe and sound environment for the processing of cash and negotiable instruments.

Cash collection for admissions is concentrated at the Main Gate of the CZ&BG, which is the main entrance for both peak and nonpeak times. The Main entrance utilizes “Cash Recycler” equipment and common Cash Handling Policies/Procedures.

Additionally, the following departments use the “Cash Recycler” equipment and Cash Handling Policies and Procedures:

- The Education Registration Desk
- Wild Encounters for animal feedings
- Rides and Attractions, including the CZ&BG's train, carousel, stroller rental, and 4-D Attraction
- Membership

The departments not using the “Cash Recycler” are development and group sales. Cash and negotiable instruments from these areas are batched, processed, and deposited into the main vault using secure deposit box identical to a “Night Drop Box” for commercial deposits at a financial institution.

All cash receipts and negotiable instruments received are processed within the grounds of the CZ&BG under a system of dual controls, deposit validation and/or "blind balance" controls. An armored guard service picks up the bank deposits, consisting of cash and negotiable instruments, two or three times a week, depending on volume. This frequency of armored guard pick-ups is regulated to minimize armored guard costs without overly impacting float in the deposit system.

Summary Finding

Overall, the CZ&BG appears to have a safe, sophisticated, fine-tuned, and secure process for the handling of their cash receipts and negotiable instruments.

VIII. Benchmarking Analysis

As prescribed in the scope of this performance review, HW&Co. has conducted a comparison of the CZ&BG with several national zoos as well as, regional zoos and zoos in Ohio to examine trends in the community of zoos and their potential impact on the CZ&BG. One of the major items impacting comparability within a peer group comparison of zoos is the CZ&BG's business model.

Summary Finding

The CZ&BG operates using a business model employed by a large majority of its peers in the zoo community. Like many other zoos, the CZ&BG is privately-managed but relies on continued financial support from the public sector. Trends affecting zoos across the nation, including the CZ&BG, include:

- Member visits make up an ever-growing percentage of attendance.
- Costs for new exhibits continue to escalate, while the need to stay competitive with peer zoos in integrating new features drives zoos to build ever larger and more expensive exhibits. Expenses of zoo operations and exhibits are also driven by escalating AZA animal care, management and containment requirements.
- Leadership recognizes the importance of staying flexible within a changing fiscal environment and of appealing to new types of patrons and funding sources as necessary.
- The AZA, Zoos and their patrons increasingly emphasize the values of excellent animal care conservation and sustainability.
- Efforts are directed at measuring outcomes and demonstrating quantifiable success.
- Zoos as a whole are relying more on earned income and less on public and private funding than in the past.

A comparative analysis of the CZ&BG against Ohio zoos, regional area zoos, selected other North American zoos, and selected Cincinnati area attractions, yielded a favorable outcome for the CZ&BG on an overall basis. A list of the zoos and attractions included in the analysis follows:

Ohio Zoos:

Akron Zoological Park	Akron, Ohio
Cincinnati Zoo & Botanical Garden	Cincinnati, Ohio
Cleveland Metroparks Zoo	Cleveland, Ohio
Columbus Zoo and Aquarium	Powell, Ohio
Toledo Zoological Gardens	Toledo, Ohio

Regional Area Zoos:

Indianapolis Zoo Society, Inc.	Indianapolis, Indiana
Louisville Zoological Garden	Louisville, Kentucky
Pittsburgh Zoo & PPG Aquarium	Pittsburgh, Pennsylvania

Selected North American Zoos:

Bronx Zoo	Bronx, New York
Brookfield Zoo	Brookfield, Illinois
Cheyenne Zoo	Colorado Springs, Colorado
Dallas Zoo	Dallas, Texas
Fort Worth Zoo	Fort Worth, Texas
Lincoln Park Zoo	Chicago, Illinois
Omaha's Henry Doorly Zoo	Omaha, Nebraska
Philadelphia Zoo	Philadelphia, Pennsylvania
San Diego Zoo	San Diego, California
St. Louis Zoo	St. Louis, Missouri
Smithsonian National Zoological Park	Washington, District of Columbia

Cincinnati Area Attractions:

Cincinnati Bengals-NFL	Cincinnati, Ohio
Cincinnati Reds – MLB	Cincinnati, Ohio
Cincinnati Museum Center	Cincinnati, Ohio
Coney Island Amusement Park	Cincinnati, Ohio
Kings Island Amusement Park	Mason, Ohio
National Underground Railroad Freedom Center	Cincinnati, Ohio
Newport Aquarium	Newport, Kentucky

Summary Finding**Website Zoo Rankings:**

Seven "Top U.S. Zoos" websites were analyzed for top ten zoos, and the CZ&BG was ranked in the Top Ten on five of these websites. Although these rankings cannot be considered truly objective, they are worth mentioning because they suggest the CZ&BG has a strong identity on the national as well as on the regional level.

TripAdvisor's list of "the 15 BEST things to do in Cincinnati" ranks the CZ&BG as THE top attraction in the Cincinnati Area. Individual consumer rankings on the Trip Advisor website are very favorable with nearly 4,000 reviews and an average rating of 4.5 out of 5.0. US News and World Report-Travel's "17 Best things to do in Cincinnati" ranks CZ&BG as #8, with free attractions earning top spots. Among attractions with paid admission, CZ&BG ranked behind the Great American Ball Park and the National Underground Railroad Freedom Center.

Overall CZ&BG received a 4.5 rating out of a potential 5 on a recent TripAdvisor Visitor Ratings. In most instances as demonstrated in the chart below, approximately 91% of individual consumers gave CZ&BG an "Excellent" or "Very Good" rating.

Exhibit 46

TripAdvisor Visitor Rating

	<u>Responses</u>	<u>Percentage</u>	<u>Cumulative Percentage</u>
Excellent	2,711	69.12%	
Very Good	865	22.06%	91.18%
Average	232	5.92%	97.09%
Poor	59	1.50%	98.60%
Terrible	55	1.40%	100.00%
Total	<u>3,922</u>	<u>100.00%</u>	

Areas consumer rankings are favorable:

- Variety of animals
- Child Friendly
- Beautiful landscaping
- Well maintained, clean
- Hippo Cove

Areas consumer rankings were unfavorable:

- Parking
- Lack of animals “out” for exhibit
- Lack of clear signage
- Card processing fees
- Construction

Overall, the CZ&BG has an excellent reputation on a local, regional, and national basis with customers, peer group zoos and attractions, the AZA and AAM.

Admission Prices:

Compared to Peer Group Zoos, the CZ&BG’s admission and parking prices appear to be reasonable, especially given its location within an urban area and its high rankings by TripAdvisor and by the "Top Ten Zoos" websites mentioned previously. For comparative purposes, we evaluated the admission price at a specific date. Most zoo ticket prices fall in a range based on time of year, weather and other factors. In fact, CZ&BG utilizes software that tracks demand and adjust prices much the way ticket sellers do for sporting events and concerts.

Two zoos in the peer group include dollars for conservation in admission price. The Louisville Zoo markets that a portion of each ticket price and membership are donated to conservation and the Columbus Zoo adds \$1 at purchase that is donated to conservation.

Also of note are the Ohio zoos that offer discount for county residency. Toledo and Cleveland offer free admission on Monday for their county residents. Toledo also offers a \$2 discount on each ticket price for county residents and Columbus offers a discount to Franklin county residents, \$9 discount per child and \$10 discount per adult.

Exhibit 47

										AZA Data 2021			
										Annual Attendance	Operating/ Total Acreage	Total Annual Operating Budget	Operating Budget as a Cost Per Attendee

Attendance:

Objective analysis of peer group attendance data is made difficult by the different geographical and demographic dynamics relative to individual zoos and attractions in the peer group. However, it is worth noting that the CZ&BG has the highest attendance of all Ohio zoos except for the Columbus Zoo, which has far more operating acreage, an aquarium and a significantly higher operating budget than does the CZ&BG.

Total Operating Cost per Attendee:

Within Ohio, Columbus and Toledo have the highest budgeted cost per attendee due primarily to high budgeted costs. If compared to Columbus, CZ&BG has 18% lower attendance yet 38% lower costs indicating greater efficiency at CZ&BG. The CZ&BG's operating cost per attendee is below the average for Ohio zoos, and it is significantly below that of the average for the Selected Other North American zoos listed at the start of this section.

Overall, the CZ&BG compares very favorably with peer group zoos and with Cincinnati area attractions relative to each of the performance metrics analyzed.

Within the context of Cincinnati area attractions generally, CZ&BG pricing appears to be even more favorable. The chart below compares CZ&BG admission and parking prices to those of other attractions in the city. The Cincinnati Reds, the Newport Aquarium, and local amusement parks have significantly higher admission prices than does the CZ&BG. The admission prices of the CZ&BG relative to the Cincinnati Museum Center, another highly rated attraction by TripAdvisor are closely aligned. Overall, the CZ&BG's admission and parking prices are competitive relative to both peer group zoos and to Cincinnati Area Attractions.

Exhibit 48

	City	State Prov.	Admission			Parking	Annual Attendance
			Adult	Child	Senior		
Cincinnati Reds	Cincinnati	OH	\$52 average	N/A	N/A	\$ 20.00 <i>average</i>	1,387,947
Cincinnati Bengals	Cincinnati	OH	\$211 average	N/A	N/A	\$ 30.00 <i>average</i>	463,733
Cincinnati Museum Center - Natural History & Science, Children's and History Museums	Cincinnati	OH	\$ 17.50	\$ 13.50	\$ 13.50	\$ 6.00	1,400,000
National Underground Railroad Freedom Center	Cincinnati	OH	\$ 16.50	\$ 11.50	\$ 14.00	\$ 7.00	180,000
Coney Island Park	Cincinnati	OH	\$ 23.95	\$ 15.95	\$ 19.95	w/ ticket price	Not released
Kings Island	Mason	OH	\$ 85.00	\$ 42.50	\$ 42.50	\$ 25.00	3,180,000
Newport Aquarium	Newport	KY	\$ 26.99	\$ 18.99	\$ 26.99	\$ 6.00	648,000

We reviewed the admissions by zip code and county provided by management for the three years available. Most visitors came from Indiana, Kentucky and Ohio with the breakout by state fairly constant over the three-year period. Ohio is the dominant visitor group providing on average 66% of admissions. Based on the data by county, we evaluated the number of Hamilton county visitors as a percentage of the total admissions. Hamilton County residents averaged 36% of total visitors over the three-year period.

Exhibit 49

Three Year Attendance History 2020 - 2022*			
	<u>2020</u>	<u>2021</u>	<u>2022</u>
Indiana	5.5%	5.6%	6.0%
Kentucky	22.5%	21.0%	21.8%
Ohio	65.0%	67.8%	65.0%
All other states	7.0%	5.6%	7.2%
Total	100.0%	100.0%	100.0%
Hamilton County	<u>35.9%</u>	<u>37.4%</u>	<u>34.9%</u>
<p>*Information unavailable for 2018 and 2019. The data is accumulated for the UC Economic Impact Study. UC did not request the data for FY 2018 and FY 2019.</p>			

Hamilton County residents as a percentage of total visitors represent nearly a third of all visitors to the CZ&BG. Not only are residents supporting the CZ&BG through admission, membership, and parking fees, but also through their tax dollars which are in turn allocated to levy funds. Added benefits for county residents should be considered, such as: discounts on admission and membership fees or additional free days at the zoo.

We did note that the CZ&BG offers several half-price or free days throughout the year. Each year they offer half price admission from early January to mid-March. Also offered is Twilight half-priced admission from 3-5 p.m. every day throughout the year. Free admission for a three-day weekend is offered in April to all healthcare and public health workers for all that they have done for our community. They also offer free admission to all active fire, police, and safety personnel for a week in September. In June, the CZ&BG partners with Kathy Wade and Learning Through Art for the Kids, Cultures, Critters and Crafts Festival to offer a discounted rate of \$10 for Adults and \$5 for children (more than half-price of regular admission).

One of the most impactful programs with Hamilton County is the Access for All program, which is designed to encourage families and individuals of all backgrounds to visit the Zoo. Over the years, they have worked directly with Hamilton County Job and Family Services to offer a year-round \$6 (adult) and \$3 (child/senior) and \$1 (parking) rate for anyone with a SNAP (Supplemental Nutrition Assistance Program)/EBT card. This discounted rate is more than half off the regular admission. In addition, a Zoo for All Membership for more than half the cost of a regular membership is also offered under this program.

Benchmarking vs. Inflation:

The recent growth in popularity of the CZ&BG and its success as an attraction and as a haven for a wide variety of animal species conceal some other benchmarking metrics that may be less favorable. Namely, over the period analyzed, its revenues per admission exceeded inflation. More specifically, over the period of 2019-2022, the Park Revenues, per admission, increased by 24.1% on a cumulative basis. Over the same period, the Consumer Price Index (the CPI) increased by 16.9%. Both the Exhibits on the following page offer a visual comparison.

Exhibit 50

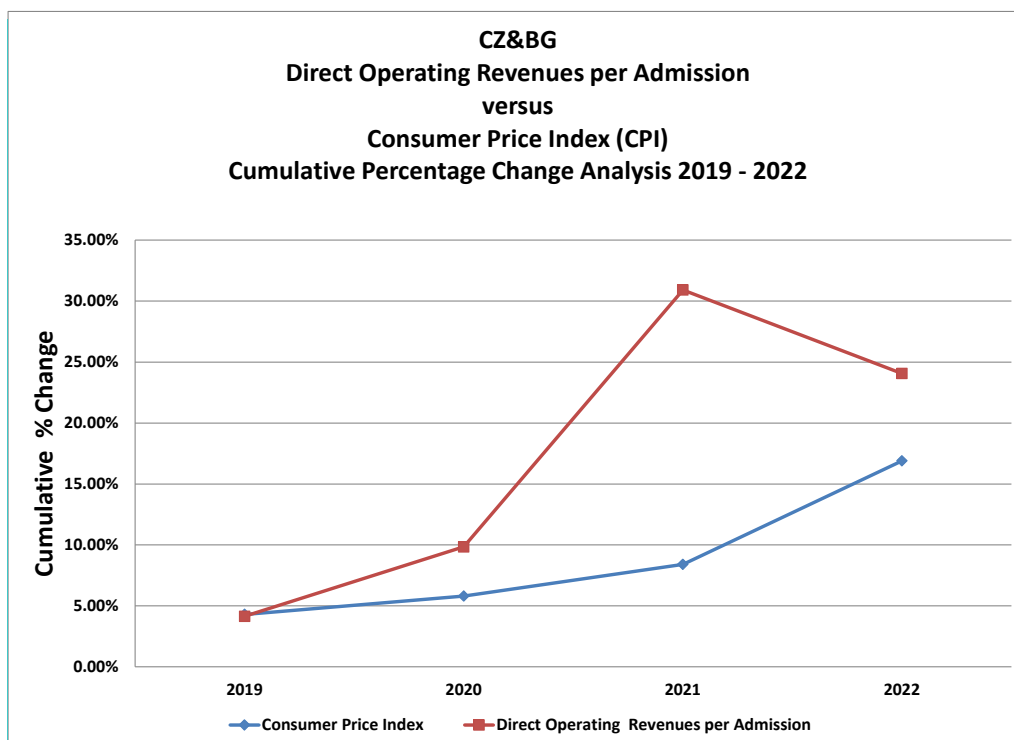


Exhibit 51**CZ&BG - Trend Analysis**

Cumulative Percentage Change in CPI versus

Cumulative Percentage Change in Direct Operating Revenue per Admission

Calendar Years 2019 - 2022

Year	Annual Inflation Rate Based on the CPI	Cumulative Change	Direct Operating Revenues per Admission	Annual Percentage Change	Cumulative Percentage Change
2019	1.90%	4.30%	\$ 15.77	4.14%	4.14%
2020	1.50%	5.80%	\$ 16.64	5.47%	9.84%
2021	2.60%	8.40%	\$ 19.83	19.19%	30.92%
2022	8.50%	16.90%	\$ 18.79	-5.24%	24.06%

Note 1: CPI data per "usinflationcalculator.com"**Note 2:** Direct Operating Revenues per Admission equals
Direct Operating Revenues divided by Total Admissions

As the table above demonstrates, cumulative increases in Direct Operating Revenues per Admission, on a percentage basis, are tracking ahead of cumulative increases in the CPI. However, in recent years as inflation increased significantly the gap has narrowed. The one exception is the year 2021 when direct operating revenue per admission is skewed due to the dynamics of decreasing revenue and admissions related to the pandemic in 2020; however, admissions decreased at a greater rate than revenue yielding a higher per admission revenue. In the initial year of the pandemic revenues were somewhat stabilized by membership revenue. The membership revenue, which represents roughly one-third of direct operating revenue, remained at 88% of the average prior year's membership revenue unlike other sources of direct operating revenue.

Summary Finding

The positive gap relationship between Direct Operating Revenues per Admission and CPI is a sign the CZ&BG is theoretically less dependent on Tax Levy Funds. However, if inflation continues to increase, the gap could narrow or even flip representing a negative gap relationship.

The exhibits below show the results of direct operating revenues and expenses that measure operating results before levy support, unrestricted gifts, fundraising and depreciation. While direct operating expenses have historically outpaced direct operating revenues the gap widened in the years ended 2019 and 2020 which are pre-pandemic and remained constant through the first year of the pandemic. The direct operating revenues only outpaced the direct operating expenses during fiscal year end 2022, with a reopening of spaces and high demand, attendance and therefore, operating revenue rebounded in fiscal year 2022.

Exhibit 52

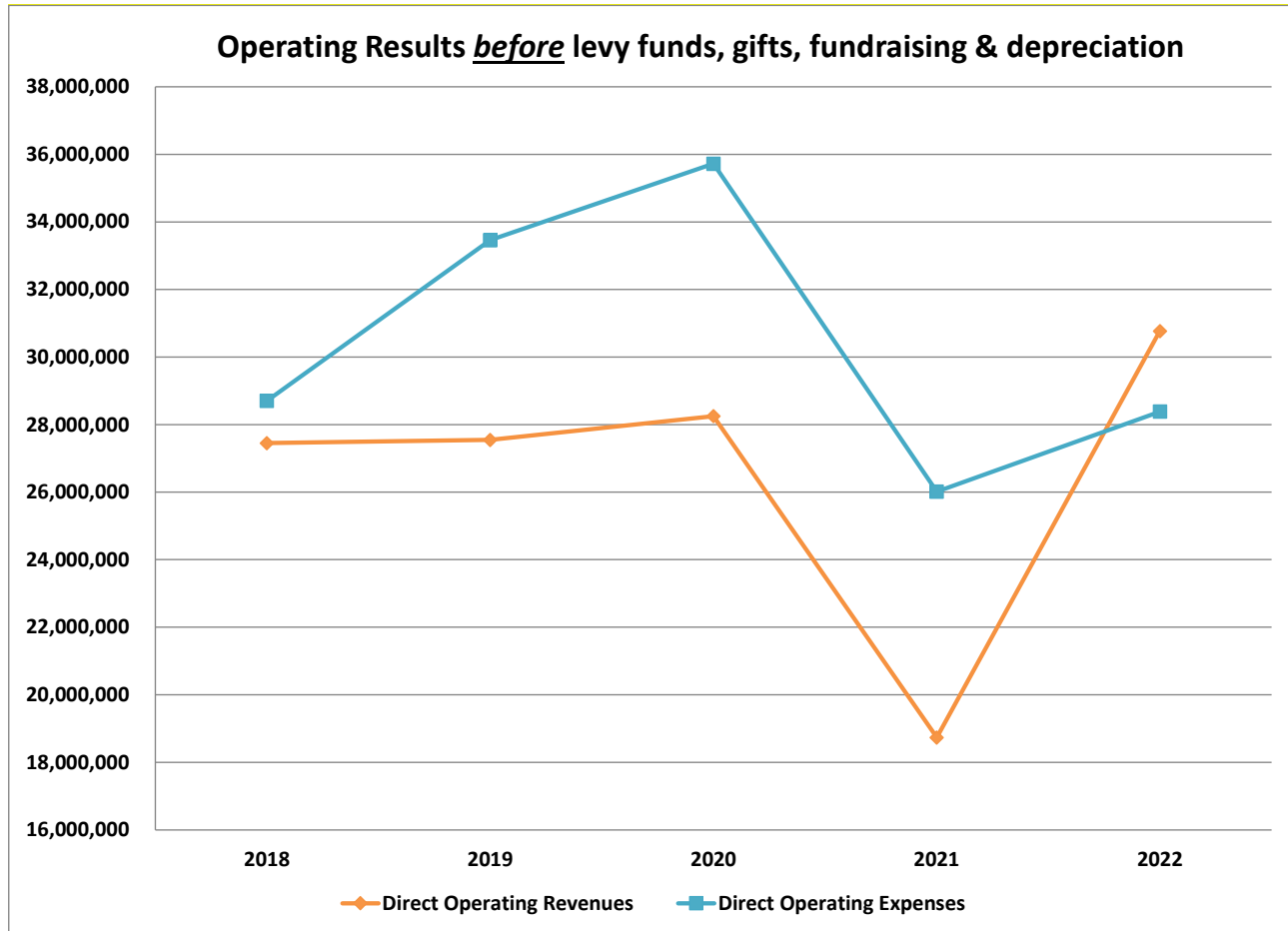
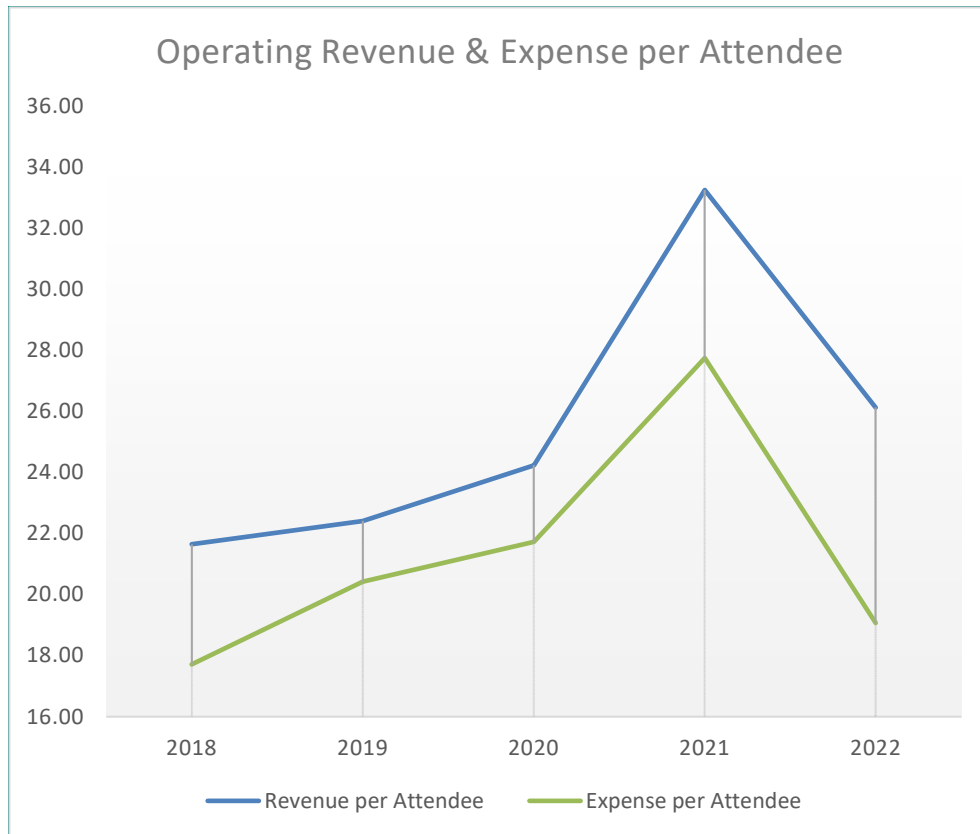


Exhibit 53

Cumulative Change in Direct Operating Revenues Versus Cumulative Change in Direct Operating Expenses						
Direct Operating Revenue and Expense						
Year	Revenue	Change	Cum.	Expense	Change	Cum.
2018	27,451,733	-	-	28,701,484	-	-
2019	27,545,194	93,461	93,461	33,459,851	4,758,367	4,758,367
2020	28,247,444	702,250	795,711	35,720,075	2,260,224	7,018,591
2021	18,735,599	(9,511,845)	(8,716,134)	26,014,149	(9,705,926)	(2,687,335)
2022	30,763,981	12,028,382	3,312,248	28,382,974	2,368,825	(318,510)

While the exhibits above depict direct operating results, the following Exhibits are the net operating results which include levy funds, unrestricted gifts, fundraising, and sponsorships in the operating results but exclude capital campaign and endowment activity.

Exhibit 54



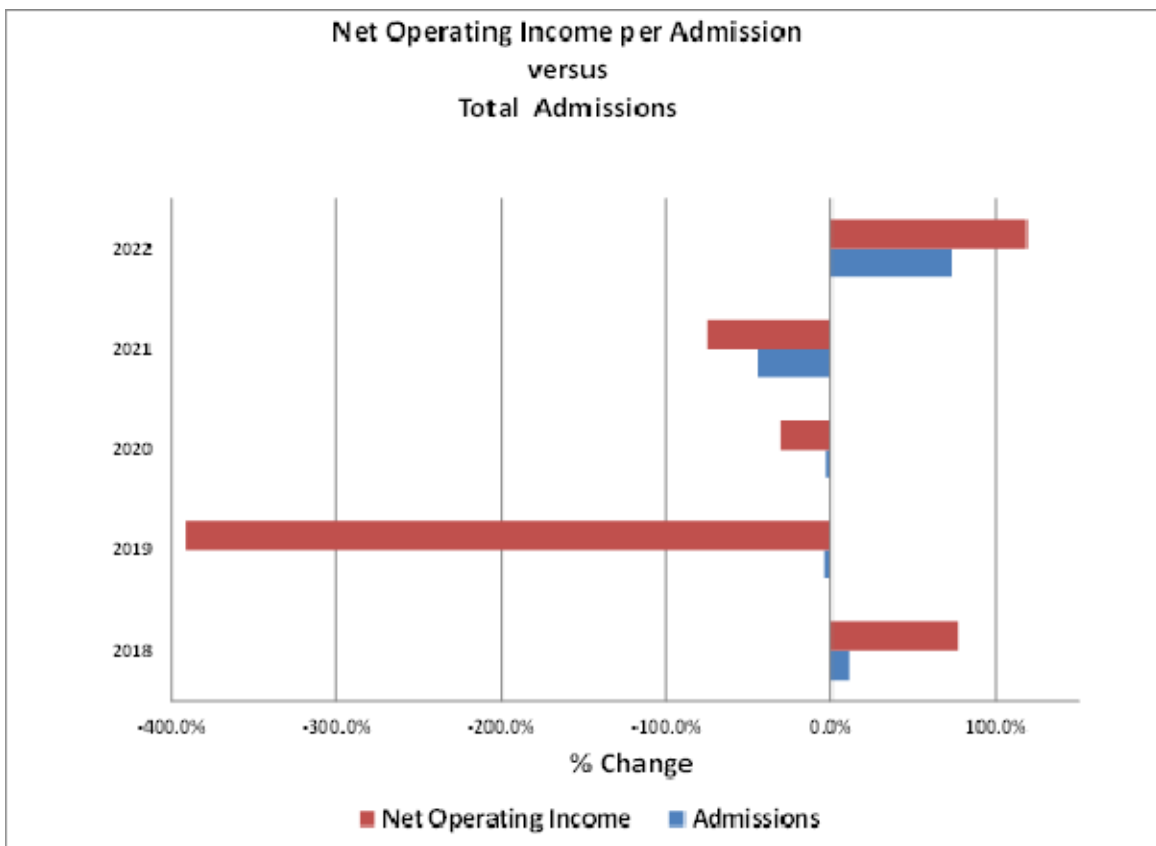
Operating results during the levy period have been positive. Ignoring the initial pandemic year reflected in the 2021 results, the gap between revenue and expense began to narrow however, the last year presented shows a widening gap. Note, that any pandemic funding received such as PPP monies have been excluded from the operating revenues above.

Summary Finding

The widening gap between operating revenue per attendee and operating expenses per attendee suggest even in times of inflation and increasing expenses CZ&BG has managed revenue and expenses well. If the positive widening gap continues it is another indicator that theoretically CZ&BG is less dependent on levy dollars.

Below shows the relationship between changes in Admission and the impact on Net Operating Income over the last Levy period.

Exhibit 55



Summary Finding

The exhibit above demonstrates that fluctuations in admissions have a direct impact on the “bottom line,” net operating income. The fiscal year 2019 was an outlier in that the impact outpaced the decrease in admissions due to increased expenses over the prior fiscal year.

Executive Compensation

Our Executive Compensation Analysis covers the following positions:

- Chief Executive Officer (CEO)
- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)

The Executive Compensation Analysis was made using data from Ohio and regional zoos including:

- Cincinnati Zoo and Botanical Gardens
- Akron Zoo
- Columbus Zoo and Aquarium
- Toledo Zoo
- Indianapolis Zoo
- Pittsburgh Zoo and PPG Aquarium

The Cleveland and Louisville Zoos were not included in this analysis due to the fact that they are part of governmental entities and are not subject to the IRS Form 990 filing requirements.

Our compensation analysis is based upon "Total estimated compensation" as defined by the IRS and disclosed in the IRS Form 990. "Total estimated compensation" is the total of "Reportable compensation" and "Estimated other compensation." "Reportable compensation" consists of W-2 and/or 1099-MISC compensation including "Base compensation", "Bonus and incentive compensation" and "Other reportable compensation." "Estimated other compensation" consists of "Retirement and other deferred compensation" and "Nontaxable benefits."

The CZ&BG's Executive Compensation Policy is summarized within its 2020 Form 990 disclosures as follows: (2020 was the latest year of IRS Form 990 data available for comparable reporting): "The chairman of the Zoological Society of Cincinnati's board reviews and approved the compensation and bonus of all officers and has determined that total compensation is reasonable and comparable. Although a majority of each officer's bonus is contingent upon a tied formula, it is not uncommon for the chairman to use discretion when calculating the bonus for some officers." During 2022 CZ&BG engaged a third party salary study and established pay bands for all of key positions.

Direct comparison of Executive Compensation has become increasingly difficult due to changes in Form 990 reporting practices with changes in reportable officer's titles, functions and duties over time.

Exhibit 56

Compensation Analysis CZ&GB to Other Ohio and Regional Zoos Using IRS Form 990 Data for 2020 - <i>Note 1</i>		CZ&BG Above/ Below Median <i>Note 2</i> <i>Note 3</i>
Chief Executive Officer (or Equivalent) - <i>Note 3</i> :		
Indianapolis Zoo*	1	
Pittsburgh Zoo and PPG Aquarium	2	
Columbus Zoo and Aquarium	3	
Cincinnati Zoo and Botanical Garden	4	-4.61%
Akron Zoo	5	
Toledo Zoo	6	
* Indianapolis Zoo included pay for 2 CEO positions		
Chief Operating Officer (or Equivalent) - <i>Note 3</i> :		
Columbus Zoo and Aquarium	1	
Cincinnati Zoo and Botanical Garden	2	26.02%
Akron Zoo	3	
Indianapolis Zoo	4	
Toledo Zoo	5	
Pittsburgh Zoo and PPG Aquarium	6	
Chief Financial Officer (or Equivalent) - <i>Note 3</i> :		
Columbus Zoo and Aquarium	1	
Cincinnati Zoo and Botanical Garden	2	10.86%
Indianapolis Zoo	3	
Akron Zoo	4	
Pittsburgh Zoo and PPG Aquarium	5	
Toledo Zoo	6	
<i>Note 1:</i> 2020 was the latest year of IRS Form 990 data available for a comparable reporting analysis.		
<i>Note 2:</i> Ranking was based on "Total Estimated Compensation" as disclosed in IRS Form 990 as compared to the median of the "Total Estimated Compensation" for the Zoos included in the analysis		
<i>Note 3:</i> Median is used due to the differences in the sizes and complexities of the zoos included in the analysis and variability between the job titles and actual span of control for officers at each zoo included in the analysis		
<i>Note 4:</i> No data was available for the Cleveland Zoo and Louisville Zoo. They report through governmental agencies and are not required to file a IRS Form 990		

As the chart above reveals, the total compensation of the CZ&BG CEO ranked fourth out of six among the other zoos in the analysis, trailing the median of the three other zoos in the analysis by 4.61%. The CZ&BG CEO's total compensation exceeded only that of the CEOs of the Akron Zoo and the Toledo Zoo among the zoos in the analysis.

The CZ&BG COO's total compensation ranked second out of six among the zoos in the analysis, exceeding the median COO compensation in this category by 26.02%. It should be noted there was a higher degree of variability in COO total compensation than there was in CEO total compensation. This variability could be due to differences in job responsibilities or other unknown factors. The variability does not correlate closely with zoo size in acreage, with zoo attendance figures, or with the complexity of operations of the zoo. For example, the COO of the Pittsburgh Zoo and PPG Aquarium, which has high rates of attendance and comparative complex operations, had the lowest COO total compensation within all of the zoos in the analysis.

The CFO of the CZ&BG earned compensation that ranked second out of six among the zoos in the analysis and the earned compensation falls above the median CFO compensation within the analysis by 10.86%. Like COO total compensation, CFO total compensation varied between zoos far more than did CEO total compensation. This variability could be due to differences in job responsibilities or to other, unknown factors. For example, at the CZ&BG, the title of CFO is actually Vice President of Administration and CFO. This would indicate a broader span of control and level of responsibility above that of being the CFO only. During our review, we noted that the Vice President of Administration and CFO of the CZ&BG did, in fact, have a span of control greater than the responsibilities that are normally associated with the title of CFO. The variability does not appear to necessarily be due to the size or complexity of the zoo. The Pittsburgh Zoo and PPG Aquarium, a complex, high-attendance zoo, was again an outlier. This zoo earned the second lowest total compensation among all of the zoos in the analysis.

Exhibit 57

Compensation Analysis
Comparing CZ&BG to AZA member zoos
Using AZA Member Compensation Report 2021
Based on Compensation as of January 31, 2021

	CEO	COO	CFO
Midwest Region	75th percentile	75th percentile	Between the Median and 75th percentile
Annual Expenditures \$30M or more	Between 25th percentile & Median	Median	25th percentile

Definitions

Median: Represents the figure above and below which half of all other reported figures fall

75th Percentile: Represents the figure above which 25% of all other reported figures fall

25th Percentile: Represents the figure above which 75% of all other reported figures fall

While the executive compensation was comparatively higher than peer zoos in the Midwest region, when compared to peer zoos of a same relative size and complexity compensation was in the 25th to 50th percentiles.

Summary Finding

The Board of Trustees and the CEO of the CZ&BG appear to be effectively managing the total compensation of executive management personnel on a competitive basis that is conducive to sustainability and management continuity. While certain comparatives indicate CZ&BG executives' pay is higher than peers, CZ&BG is paying for expertise which is reflected in a professionally run, highly rated zoo. Of particular note is the use of a third party salary study to ensure fair and reasonable wages for key executives.

Annual Levy Support of Ohio Zoos

The chart below provides a limited data set for the comparison of Ohio zoos' relative reliance on Tax Levies to fund their operating and capital expenditures. It indicates that levy support for the CZ&BG operating expenses is not unreasonable within this comparison group.

Exhibit 58

Annual Levy Support for Ohio Zoos Comparison Analysis - Based on the Levies Currently in Effect (All amounts in millions of dollars)				
Zoo / Taxing Authority	Type of Funding Operating	Capital	Total Funding	As a % of Total Operating Expenditures Note 1
Cincinnati Zoo Hamilton County	6.8	-	6.8	17.7%
Columbus Zoo Franklin County	7.2	10.9	18.1	29.1%
Toledo Zoo Lucas county	6.0	6.8	12.8	58.0%
Akron Zoo Summit County	-	-	12.1	Note 2
Note 1: Based on 2021 from AZA benchmarking data, if not reported to AZA then 2021 IRS 990 expenses used				
Note 2: The Summit County Zoo levy did not provide a break-out between the operating and capital portions of the levy.				

The Cleveland Metroparks Zoo is specifically excluded. It is operated by the Cleveland Metropolitan Park District which receives funds from a Cuyahoga County levy. The amount of funds allocated to the Cleveland Metroparks Zoo is not disclosed in the Park District's financial statements.

Although the amount of data is limited, the levy support provided to the CZ&BG for operating expenses does not appear to be out of the ordinary based upon a comparison of the operating expenses of other Ohio zoos receive less levy dollars for operating expenses.

IX. Possible Threats to the CZ&BG during the Next Tax Levy Period

As the current levy cycle comes to an end the CZ&BG has achieved success, seemingly at every level of operations. Operating profits are strong, fundraising efforts have been successful, the CZ&BG has a healthy balance sheet, endowment funds have increased to historic highs and they are on track to complete a \$160 million expansion, without incurring additional long-term debt. In the shadow of these achievements we have identified the following threats.

Nationally zoos along with scores of other businesses are facing labor shortages for both fulltime and seasonal workers. CZ&BG has had to raise base pay and offer incentive bonuses as they remain challenged to hire enough qualified employees to staff the park. With the current expansion in progress even more future workers will be required. Therefore the ability to attract and hire workers at current projected wages levels is a short-term concern.

Our concerns regarding the sustainability of the CZ&BG over the long-term relate to the continued risks posed by the dependence on revenues generated by historically high attendance to offset increasing fixed operating costs, unfunded capital reinvestment and maintenance, and possible future decreases in gifts and donations. Zoos are currently extremely popular making it hard to imagine a decline in public interest, however it is impossible to predict in a meaningful way, the future of zoo popularity.

Management's annual budget for major maintenance projects and reinvestment has increased from \$2.5 million in 2018 to \$5 million today, not only due to the continuing need for upgrades and refurbishments, but also do to rapidly raising construction costs. Funding requirements for future major maintenance projects, upgrades and refurbishments are expected to continue to increase. This puts pressure on the CZ&BG to find a consistent source of funds for these large and costly projects. Presently we believe funds are deployed for major maintenance projects, upgrades and refurbishments only after immediate needs have been met. This "linkage" between operating surpluses and reinvestment poses the risk that, should operating cash flows go negative, infrastructure will be neglected.

While the endowment fund grew from \$19 million to \$27 million over the last five years we still believe there is a risk that the current endowment fund is not strong enough to act as a safety net for the CZ&BG, in light of the ongoing expansion and increased fixed operating costs.

The trend toward increases in Federal, State, Municipal, AZA regulations poses a risk that is also worth mentioning. Expansion of the regulatory strictures with which the CZ&BG must comply will likely continue. Conformity to such regulations will potentially entail even more increases in the CZ&BG's operating expenditures.

Potential population shifts or a shift in public support could affect the availability of future tax levy funds. Historically, the CZ&BG has been highly reliant on the Hamilton County Tax Levy. Drops in Hamilton County population and/or decreases in property values could occur, impairing the CZ&BG's access to reliable public funding in the form of the levy.

The CZ&BG's current strategic plan entails implementing the highest standards of animal welfare, enhancing visitor engagement, delivering Elephant Trek, advancing collaborative conservation and building diversity, equity access and inclusion, all meaningful and worthy goals. However we feel a long-term financial plan, to build reserves and pay for the eventual major repairs and refurbishments should be developed.

X. Summary Findings

Our Summary Findings, listed below, group in one place each of the separate conclusions our Performance Review presents. Organized according to the section of the document from which they originate, these Findings should be read as references to the different sections to which they apply. (Because the Summary Findings pertaining to **VI. Financial Analysis** are numerous, we have grouped them within the categories of "Historical Trends" and "Projections over the Next Levy Term".)

Summary Findings pertaining to **III. Recent History and Overview of CZ&BG's Operations:**

- The CZ&BG proved during the current levy cycle that they are a resilient and well run organization. They remain focused on the expansion and improvement of the already world class zoo and botanical gardens and are committed to supporting the CZ&BG neighborhood.

Summary Findings pertaining to **IV. Corporate Structure:**

- While not technically independent, it appears that the Foundation is functioning more independently, which we believe is beneficial to the CZ&BG. One of the Foundation Board's primary missions is to provide the Society with financial support in the form of increased endowment funds. The Society and Foundation essentially function together as one entity to effectively succeed at this mission. While we believe an independently functioning Foundation could be beneficial to the CZ&BG, the recent results support the continued structure.

Summary Findings pertaining to **V. Organizational Structure:**

- The CZ&BG is performing well with respect to the corporate governance goals of an appropriate organizational structure, an efficient committee structure, and a high level of both accountability and transparency.

Summary Findings pertaining to **VI. Financial Analysis:**

- From 2018 to 2022 unrestricted working capital has significantly increased as a result of operating income surplus further aided by government stimulus funds received due to the COVID-19 pandemic. It appears that CZ&BG has adequate current assets to meet CZ&BG's current obligations and contribute to long term sustainability.
- The overall long-term financial strength of the CZ&BG has improved between 2018 and 2022. During this period, net assets with capital-related items excluded, increased by \$18.5 million, an indication the recent trend in overall long-term financial health is a favorable one. It is also commendable that capital expansion over the recent levy period was not funded by long-term debt.
- Expansion and new exhibits are primarily paid for by donations generated through capital campaigns. Infrastructure upgrades: Historically only a small portion of the cost for infrastructure upgrades were paid for by grants or donors, with the majority funded through available operating funds. This trend appears to be reversing as a number of meaningful infrastructure upgrades are included in the donor funded MH2R project.

The CZ&BG is a mix of both modern, new exhibits and aging exhibits, and in many instances outdated infrastructure. Funding requirements for future major maintenance projects, upgrades and refurbishments are expected to continue to increase. This puts pressure on the CZ&BG to find a consistent source of funds for these large and costly projects.

We believe Management's annual \$5 million budget for reinvestment in the existing infrastructure is well thought out, but is subject to availability of funds. The major expansion of the CZ&BG's infrastructure over the last two levy cycles will likely cause this reinvestment needs to greatly exceed the current annual \$5 million budget in the future. While not a short-term issue, the ability to fund this long-term liability is a future risk should operating surpluses and the fund raising ability of the CZ&BG decrease.

- During the recent levy cycle the CZ&BG repaid \$5.1 million of interest bearing debt and are on pace to be debt free in 2026. The CZ&BG does not appear to have long-term borrowing needs and has a \$5.5 million available on an open line of credit in the event short-term borrowing needs arise.
- Measured from 2018 to 2022, annual direct operating losses before levy support, unrestricted gifts, SBA PPP loan forgiveness, Shuttered Venue Operators grant, and fundraising have decreased by \$4.2 million over the period. This is a strong indicator that its overall financial position is strengthening resulting in improved positive operating results; however, the CZ&BG remains reliant on unpredictable private support and on public (levy) support over this period.
- The recent operating results are encouraging with operating revenue increasing by 18.12% from 2018 to 2023 (20.11% if the tax levy revenue is excluded). Over the same period operating expenses excluding depreciation and interest increased by 11.96%, a substantially lower rate of increase than revenues. On an average annual basis revenues increased by 3.62% per year (4.02% with the tax levy revenue is excluded) while expenses increased by 2.39%.
- CZ&BG generally experiences increased attendance in years of a new exhibit or even a new animal as was the case in 2018 when Fiona's popularity was expected to peak. Such events have contributed to positive financial returns in 2018 and 2022. Management expected attendance to return to a normalized level after the Fiona phenomenon peaked in 2018; however, COVID-19 happened in 2020 and after people were COVID-19 fatigued, the CZ&BG benefited as attendance increased significantly during fiscal year 2022.
- With regard to alternative sources of funding, the CZ&BG continues to find new and innovative ways to increase operating revenues. Examples include the increased commissions earned due to the addition of the popular beer garden and food trucks, increased membership offerings, the use of variable pricing and increased parking and gate access to enhance the overall experience driving up attendance and revenues.
- The CZ&BG is also using capital campaign funds to improve the parks infrastructure with solar arrays and water retention facilities that have and will continue to reduce utility costs.
- In the long term, CZ&BG will need to continue to develop sources of unrestricted endowment funds. Considering the significant donations received for various capital campaigns in the past, the potential to leverage those relationships to fund the endowment should be pursued.
- Pre pandemic wage expense was increasing due to staffing increases and modest wage inflation. During the COVID-19 pandemic the CZ&BG was able to reduce non-essential and seasonal staff in response to the uncertainties caused by the pandemic. Post COVID-19 the CZ&BG is faced with increased staffing needs related to the reopening and increased attendance as well as pressure to increase wages due to lack of available workers and overall market competition for employees. Management expects wage pressure and staffing shortages to continue for 2023 and 2024.

- Salaries, wages and employee benefits account for approximately 50% of the CZ&BG's operating expenses. From 2018 to 2022, these expenses increased by \$3.4 million. The increase is primarily due to 2.75% annual union and non-union raises, merit raises, and several months of salaries and benefits paid for the voluntary separation packages to full-time employees who accepted these packages. With attendance trending back above 17 million at the same time there are labor shortages, we anticipate further increases over the foreseeable future.
- During the period in review, CZ&BG was closed to the public from March 15, 2020 until they re-opened to state mandated limited capacity on June 10, 2020 due to the COVID-19 pandemic. As a result of the COVID-19 pandemic and an effort to curtail costs and match its operations, CZ&BG laid off all part-time and seasonal employees and offered Voluntary Separation and Voluntary Retirement packages to approximately thirty-seven (37) full-time employees. This resulted in fluctuation in salaries and wages and payroll taxes and benefits across all departments. Animal food costs remained relatively flat with CZ&BG growing its own food and locking in food prices with vendors. During this period, utilities expense has remained flat due to CZ&BG's efforts to find more economical and sustainable options related to their utility usage.
- Preliminary projection analyses indicate that if attendance stabilizes at 1.73 million visitors and the current levy is renewed without an increase, the CZ&BG cash flows will remain positive above the level required to fund capital reinvestment. Increasing the levy revenues for inflation using a 5-year, 10-year or 15-year schedule would further add to the positive cash flows in excess of funds needed for unfunded capital reinvestment.
- Under the terms of their contract with Hamilton County, in our opinion the CZ&BG was required to notify the County regarding the receipt the \$10 million Shuttered Venue Grant. In addition, under the contractual Hamilton County Resident Program the CZ&BG is required to provide half-priced admission to residents for one (1) full weekday, and two (2) part weekdays (or, at the Zoo's option, two (2) part weekend days after 4 p.m.), each year between the dates of May 15 and September 15. We noted that this program was stopped in 2020 and has not been reinitiated as required by the agreement.
- The Mid Term reporting requirement to address future attendance capacity, future revenue potential to keep pace with needed fixed costs, operating costs due to aging infrastructure and increased animal care standards, stability of the endowment fund; and if future expansion will increase fixed costs to an unsustainable level was not completed. While understandable due to the timing, we feel this should be once again addressed during the next Mid Term and should include representation from the Zoo Society and Foundation.
- We find that the Concessionaire Agreement with Service Systems Associates, Inc. (SSA) is well thought out and a significant benefit to the CZ&BG. SSA is a national company that specializes in operating concessions and gift shops for zoos, aquariums and museums all over the country. SAA manages the revenue flow and the CZ&BG receives a commission based on total sales. Recent expansion that includes the new beer garden and food trucks are seamlessly operated by SSA providing CZ&BG with increased commission revenues without incurring additional operating expenses.
- Overall, the CZ&BG appears to have a safe, sophisticated, fine-tuned, and secure process for the handling of their cash receipts and negotiable instruments

Summary Findings pertaining to **VIII. Benchmarking Analysis:**

- The CZ&BG operates using a business model employed by a large majority of its peers in the zoo community. Like many other zoos, the CZ&BG is privately-managed but relies on continued financial support from the public sector. Trends affecting zoos across the nation, including the CZ&BG, include:
 - Member visits make up an ever-growing percentage of attendance.
 - Costs for new exhibits continue to escalate, while the need to stay competitive with peer zoos in integrating new features drives zoos to build ever larger and more expensive exhibits. Expenses of zoo operations and exhibits are also driven by escalating AZA animal care, management and containment requirements.
 - Leadership recognizes the importance of staying flexible within a changing fiscal environment and of appealing to new types of patrons and funding sources as necessary.
 - The AZA, Zoos and their patrons increasingly emphasize the values of excellent animal care conservation and sustainability.
 - Efforts are directed at measuring outcomes and demonstrating quantifiable success.
 - Zoos as a whole are relying more on earned income and less on public and private funding than in the past.
- **Website Zoo Rankings:**
 - Seven “Top U.S. Zoos” websites were analyzed for top ten zoos, and the CZ&BG was ranked in the Top Ten on five of these websites. Although these rankings cannot be considered truly objective, they are worth mentioning because they suggest the CZ&BG has a strong identity on the national as well as on the regional level.
 - TripAdvisor’s list of “the 15 BEST things to do in Cincinnati” ranks the CZ&BG as THE top attraction in the Cincinnati Area. Individual consumer rankings on the Trip Advisor website are very favorable with nearly 4,000 reviews and an average rating of 4.5 out of 5.0. US News and World Report-Travel’s “17 Best things to do in Cincinnati” ranks CZ&BG as #8, with free attractions earning top spots. Among attractions with paid admission, CZ&BG ranked behind the Great American Ball Park and the National Underground Railroad Freedom Center.
- The positive gap relationship between Direct Operating Revenues per Admission and CPI is a sign the CZ&BG is theoretically less dependent on Tax Levy Funds. However, if inflation continues to increase, the gap could narrow or even flip representing a negative gap relationship.
- The widening gap between operating revenue per attendee and operating expenses per attendee suggest even in times of inflation and increasing expenses CZ&BG has managed revenue and expenses well. If the positive widening gap continues it is another indicator that theoretically CZ&BG is less dependent on levy dollars.
- The Board of Trustees and the CEO of the CZ&BG appear to be effectively managing the total compensation of executive management personnel on a competitive basis that is conducive to sustainability and management continuity. While certain comparatives indicate CZ&BG executives’ pay is higher than peers, CZ&BG is paying for expertise which is reflected in a professionally run, highly rated zoo. Of particular note is the use of a third party salary study to ensure fair and reasonable wages for key executives.

XI. Recommendations

Our recommendations are oriented toward the goal of long-term financial sustainability for the CZ&BG. With that end in mind, we first suggest that the Tax Levy Board examine two key provisions of its current contract with Hamilton County.

The first provision of the levy contract for reconsideration is the condition that Hamilton County funding be treated as "the payer of last resort." The term Payer of Last Resort implies that CZ&BG must first extinguish all other sources of funding before using the levy funds. The contract does not offer detailed guidance on how to comply with this stipulation. Adherence to the "payer of last resort" in its purest sense is administratively cumbersome and detrimental to the long-term viability of CZ&BG. There are four distinct categories of funding providing the vast majority of support for the CZ&BG: operating revenues generated by attendance, earning from funds held in endowment, philanthropic support (gifts, grants and donations), as well as taxpayer funding (levy). If CZ&BG were to expend the first three categories of funds on operations prior to spending County levy funds, there would be little to no excess operating funds for capital reinvestment or reserves. In certain situations the payer of last resort structure can act as an incentive to spend money, to receive all the funds. The CZ&BG have generally shown that they are good stewards of the funds provided by Hamilton County. In a sense they have acted as partners, versus merely an organization in need of funding to fulfil their mission. The ultimate goal is for the community of Hamilton County to have a high quality zoo and botanical garden, in the most financially responsible way. Given the scope and nature of the operations of CZ&BG, this is not a viable business model under which it should operate. It is sound business practice for CZ&BG to maintain adequate unrestricted cash reserves as well as reserves held for future capital refurbishments. Unrestricted cash reserves are not only needed to maintain physical structures but also for extraordinary occurrences. The CZ&BG is a dynamic business that experiences seasonal cyclical variations and can encounter unforeseeable operating issues such as new AZA regulations, disasters, and other unpredictable matters. Having the financial wherewithal to meet any of these needs is a hallmark of a financially healthy organization. Therefore, removing the stipulation that CZ&BG treat Hamilton County as "the payer of last resort" would in theory, benefit both the County's and CZ&BG's best interest.

The second provision of the contract deserving a review is the Hamilton County Resident Program. In light of the continued success of the CZ&BG we recommend the Hamilton County Resident Program requiring the CZ&BG provide Hamilton County Residents half-priced admission be continued and potentially expanded as part of the next Agreement with Hamilton County and the Zoological Society of Cincinnati. We further recommend that a requirement to notify the County and announce the half-price days a minimum of 60 days in advance via the CZ&BG web-site and social media be added.

CZ&BG's Mid Term reporting requirement was addressed virtually during the current levy cycle in part due to the timing of COVID-19. The reporting addresses: attendance capacity, ability of revenues to keep pace with fixed operating costs, increasing fixed costs due to aging infrastructure, increased animal care standards, stability of the endowment fund; and whether the continued expansion will increase fixed costs to an unsustainable level. We recommend going forward that this Mid Term reporting requirement be formally continued to focus primarily on these factors and that representation from the Foundation be included in this process along with the Zoo Society and Hamilton County.

The Mid Term report addresses organizational issues in the same way a strategic plan does. The CZ&BG's current strategic plan is entirely mission based and does not include a long-term financial plan, to build reserves to pay for future major repairs and refurbishments. Considering the continued major expansion, we believe a long-term plan for the funding of future capital reinvestment be put into place and should take precedence over future expansion. A key provision of this plan should be an increase in the Foundation controlled endowment to include a reserve for future required annual capital reinvestment. An update to this plan should be shared with Hamilton County during the Mid Term review and one-year before the end of each five-year levy cycle.

We recommend that management develop a strategic long-term financial plan to cover the next levy period as well as periods extending through the completion of any future expansions (including plans for the CZ&BG's 150th anniversary in 2025). A comprehensive strategic financial plan should be developed and updated at least annually for internal use and should also be presented to Hamilton County before the next levy request and during interim levy reporting periods. The strategic long-term financial plan should address the following areas that we believe pose considerable risk and uncertainty:

- Risk that future attendance will eventually become flat or decrease as the excitement associated with recent new exhibits fades or the park reaches maximum capacity.
- Risk that future revenue increases will not be able to keep pace with escalating fixed costs.
- Risk that operations will not be able to fund the capital reinvestment needed to keep the CZ&BG's existing and aging infrastructure operating in light of both the age and complexity of the existing park, as well as increasing animal care standards.
- Risk that the current endowment fund is not large enough to act as a safety net for the CZ&BG in light of the recent expansion and increased fixed operating costs.
- Risk that future expansion will increase fixed expenses to an unsustainable level. We believe there is a direct correlation between expansion and increased fixed costs.

We believe one conclusion that could come from a meaningful strategic long-term financial plan is the required capital reinvestment needed to keep the CZ&BG's existing infrastructure operating and if it can be sufficiently generated by operating profits. If required capital is not attainable from operating profits, the CZ&BG should seek additional funding through unrestricted fund donations and donor capital campaign funds or via the request for additional levy funds earmarked for capital infrastructure improvements.

XII. Appendices

Appendix A

A Summary of Consolidated Audited Financial Statements

The CZ&BG is audited annually by the certified public accounting firm Clark, Schaefer, Hackett. The following consolidated financial statement data is summarized from the CZ&BG's consolidated audited financial statements.

The CZ&BG 2019 consolidated financial statements noted that Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* was adopted during 2019. The purpose of the ASU is to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit's liquidity, financial performance, and cash flows. CZ&BG has implemented this guidance and applied retrospectively to all periods presented in its consolidated financial statements.

ZOOLOGICAL SOCIETY OF CINCINNATI AND CINCINNATI ZOO FOUNDATION, INC.					
Consolidated Financial Statements					
Years Ended					
Statements of Financial Position					
	3/31/2018	3/31/2019	3/31/2020	3/31/2021	3/31/2022
Assets:					
Cash	\$ 2,276,307	\$ 853,931	\$ 3,044,952	\$ 4,765,247	\$ 9,287,113
Trade and other receivables	1,359,822	3,912,874	527,395	2,068,937	1,425,172
Pledges receivable, net	46,877,211	44,283,339	48,460,961	52,365,010	51,530,611
Prepaid expenses and supplies	320,584	459,960	302,340	507,163	544,169
Investments	23,454,452	38,029,184	38,456,805	45,377,377	72,835,332
Beneficial interest in trusts	466,486	447,294	395,101	507,923	497,215
Bond indenture deposits held by trustee	2,140,775	1,665,307	1,167,721	692,577	334,126
Property and equipment, net	99,318,725	103,968,426	123,760,442	125,990,032	129,474,816
Total Assets	<u>\$ 176,214,362</u>	<u>\$ 193,620,315</u>	<u>\$ 216,115,717</u>	<u>\$ 232,274,266</u>	<u>\$ 265,928,554</u>
Liabilities and net assets:					
Liabilities:					
Accounts payable	\$ 2,884,813	\$ 4,051,214	\$ 4,822,910	\$ 2,041,387	\$ 3,102,194
Accrued expenses	2,500,693	2,655,102	2,321,901	2,655,318	2,927,768
Line of credit	-	1,000,000	-	-	-
Refundable advance	-	-	574,234	-	-
Notes payable	2,300,000	2,770,000	8,610,000	10,955,000	-
Bonds payable, net	3,460,551	2,731,522	1,992,692	1,262,141	648,099
Pooled income liability	26,009	25,463	24,885	24,351	23,707
Gift annuity obligations	107,941	117,051	87,230	82,259	82,591
Deferred memberships	4,643,968	4,674,549	4,476,911	5,008,767	5,703,242
Other liabilities / deferred revenue	877,913	1,327,052	907,135	743,497	1,668,446
Total Liabilities	<u>16,801,888</u>	<u>19,351,953</u>	<u>23,817,898</u>	<u>22,772,720</u>	<u>14,156,047</u>
Net assets:					
Without donor restrictions	103,377,855	110,884,091	135,450,689	147,146,180	172,271,709
With donor restrictions	56,034,619	63,384,271	56,847,130	62,355,366	79,500,798
Total Net Assets	<u>159,412,474</u>	<u>174,268,362</u>	<u>192,297,819</u>	<u>209,501,546</u>	<u>251,772,507</u>
Total Liabilities and Net Assets	<u>\$ 176,214,362</u>	<u>\$ 193,620,315</u>	<u>\$ 216,115,717</u>	<u>\$ 232,274,266</u>	<u>\$ 265,928,554</u>

Appendix A:
A Summary of Audited Consolidated Financial Statements

ZOOLOGICAL SOCIETY OF CINCINNATI AND CINCINNATI ZOO FOUNDATION, INC.					
Consolidated Financial Statements					
Years Ended					
Statements of Activities	3/31/2018	3/31/2019	3/31/2020	3/31/2021	3/31/2022
Without Donor Restrictions Revenues:					
Admissions	\$ 11,068,074	\$ 11,266,120	\$ 11,939,911	\$ 6,223,254	\$ 12,167,369
Memberships	10,038,611	10,397,577	10,768,512	9,137,489	12,043,935
Attractions	1,940,344	1,736,762	1,554,646	478,394	1,269,285
Parking	1,644,784	1,362,846	1,365,615	1,018,417	1,359,826
Programs	1,691,566	1,813,742	2,086,345	68,498	909,192
Commissions	2,759,920	2,781,889	2,618,760	1,878,045	3,923,566
Tax Levy	6,550,000	6,662,500	7,000,000	7,000,000	7,000,000
Rental income	286,665	378,127	653,044	761,300	717,211
Gifts, grants and donations	5,820,167	7,576,798	9,024,753	7,213,263	7,609,841
Net investment return - operating	60,007	406,120	(381,043)	1,227,007	(70,671)
Gain on forgiveness of debt	-	-	-	-	2,950,000
Loss on disposal of property and equipment	-	-	-	-	(116,087)
Other income	1,116,518	1,438,452	1,024,100	1,780,830	1,705,883
Net assets released from restrictions	9,136,483	8,777,533	27,169,790	10,968,497	20,943,342
Total without donor restrictions revenues	52,113,139	54,598,466	74,824,433	47,754,994	72,412,692
With Donor Restrictions Revenues:					
Gifts, grants and donations	44,511,041	15,391,384	20,446,990	13,416,926	34,569,573
Net assets released from restrictions	(9,136,483)	(8,777,533)	(27,169,790)	(10,968,497)	(20,943,342)
Total With Donor Restrictions Revenues	35,374,558	6,613,851	(6,722,800)	2,448,429	13,626,231
Total Revenues	87,487,697	61,212,317	68,101,633	50,203,423	86,038,923
Without Donor Restrictions Expenses:					
Programs:					
Animal care and health	(15,006,657)	(15,687,301)	(16,093,227)	(14,959,238)	(16,488,569)
CREW	(1,784,359)	(2,076,303)	(1,882,282)	(1,985,304)	(2,109,250)
Horticulture	(1,445,696)	(1,520,315)	(1,652,880)	(1,220,416)	(1,697,213)
Events and group functions	(5,026,298)	(5,969,685)	(6,087,683)	(2,383,710)	(3,355,906)
Membership and park operations	(6,205,313)	(6,227,807)	(6,672,689)	(4,687,111)	(6,310,167)
Education	(2,485,132)	(2,767,969)	(2,806,286)	(2,035,640)	(2,602,347)
Supporting services:					
Facilities and external property	(6,985,815)	(7,938,951)	(8,206,463)	(5,055,544)	(5,637,938)
General and administrative	(3,567,366)	(4,753,465)	(4,643,057)	(4,881,794)	(4,908,924)
Fundraising	(1,200,680)	(1,233,362)	(1,476,580)	(1,259,503)	(2,147,638)
Total expenses	(43,707,316)	(48,175,158)	(49,521,147)	(38,468,260)	(45,257,952)
Income from operations	43,780,381	13,037,159	18,580,486	11,735,163	40,780,971
Without Donor Restrictions Endowment Activity:					
Gifts, grants and donations	372,476	688,999	(271,308)	89,760	79,683
Change in beneficial interest in trusts	363,038	(22,872)	(31,086)	54,244	(11,845)
Net investment return - non-operating	1,283,672	416,801	(434,294)	2,264,753	(2,097,049)
Endowment expenses	(117,072)	-	-	-	-
Total without donor restrictions endowment activity	1,902,114	1,082,928	(736,688)	2,408,757	(2,029,211)
With Donor Restrictions Endowment Activity:					
Gifts, grants and donations	353,193	179,671	507,967	343,117	403,295
Change in beneficial interest in trusts	14,425	3,680	(21,107)	58,578	1,137
Net investment return - non-operating	(150,165)	552,450	(301,201)	2,658,112	3,114,769
Total with donor restrictions endowment activity	217,453	735,801	185,659	3,059,807	3,519,201
Change in assets	\$ 45,899,948	\$ 14,855,888	\$ 18,029,457	\$ 17,203,727	\$ 42,270,961

Appendix B
CZ&BG's Response to 2017 HW&Co. Report

1. Our recommendations are oriented toward the goal of long-term financial sustainability for the CZ&BG. With that end in mind, we first suggest that the Tax Levy Board examine two key provisions of its current contract with Hamilton County.

First, we believe that the definition of "qualified area expenditures" is too broad. The last contract with Hamilton County defined "qualified area expenditures" as direct costs of operating the Zoo in one or more of the following categories, as reflected in the Zoo's financial records: Animal Operations, Animal Health, Environmental Services, Maintenance, Horticulture and Major Maintenance. We recommend Hamilton County remove "Major Maintenance" from the list of qualified expenditures. We suggest the following new contract language define "qualified area expenditures" as follows:

Direct costs of operating the Zoo in one or more of the following categories, includable as an expense in the Zoo's audited financial statements; Animal Operations, Animal Health, Environmental Services, Maintenance, and Horticulture.

The concept of Major Maintenance appears to be hybrid between what is a maintenance expense vs. what is considered a capital expenditure under GAAP, however a clear definition is not presented in the contract with Hamilton County. Removing it will not impact the present levy funding, but will clarify the intent of the County to only pay for direct operating expenses and not Capital Assets.

The second provision of the levy contract deserving of review is the stipulation, within the current contract, that Hamilton County be treated as "the payer of last resort." Although these words seem clear enough, the contract does not offer detailed guidance to the CZ&BG as how to comply with this stipulation. There are four distinct categories of funding that provide the vast majority of funding for the CZ&BG: operating revenues generated by attendance, earning from funds held in endowment, philanthropic support (gifts, grants and donations), as well as taxpayer funding (levy). The term Payer of Last Resort implies that the CZ&BG must first extinguish all other sources of funding before using the levy funds. Given the scope and nature of the operations of the CZ&BG, this is not a viable business model under which it should operate. The CZ&BG is a dynamic business that experiences seasonal cyclical variations and can encounter unforeseeable operating issues such as new AZA and USDA regulations, disasters and other unpredictable matters. It is sound business practice for the CZ&BG to maintain adequate unrestricted cash reserves and "rainy day" funds. This form of sound and fiscally responsible operating model has been adopted by many zoos across North America. Therefore, removing the stipulation that CZ&BG treat Hamilton County as "the payer of last resort" would in theory, be to both the County's and CZ&BG's best interest.

As the current expansion of the CZ&BG comes to a conclusion, we believe a long-term plan for the funding of future capital reinvestment be put into place and should take precedence over future expansion. A key provision of this plan should be an increase in the Foundation controlled endowment to a level that will provide earnings in excess of required annual capital reinvestment.

Appendix B

CZ&BG's Response to 2017 HW&Co. Report

The CZ&BG's response:

- We have begun this concept of adding to the endowment to create a bigger operating contribution in the future. When fundraising was done for Gorilla World the total was increased by \$1M and that \$1M will be sent to the endowment. With the most recent Move Home to Roam (MH2R) campaign we did not specifically designate an amount to go to endowment from each project however we were able to transfer funds at the end of Fiscal 2022 with that same intent of growing the endowment to provide a larger annual operating draw to help offset costs related to new or remodeled exhibits.
2. We recommend that steps be taken to provide for a more independently functioning Foundation. The current Foundation controls endowment funds that have been put in place for long-term future benefit of the CZ&BG. However, the CZ&BG can exert control over the Foundation through the selection of its trustees.

The CZ&BG's response:

- The Board structures have remained the same however the Foundation board leadership has changed and the current leadership is much more active in use of funds and overall investment selections for the endowment. The Zoo still approves the Foundation trustee selections but the Foundation trustees are having more interactive conversations with the Zoo Board around use and purposes of funds, the size of a proper endowment, future ways to grow the endowment, etc.
3. We recommend that management develop a strategic long-term financial plan to cover the next levy period as well as periods extending through the completion of any future expansions (including plans for the CZ&BG's 150th anniversary in 2025). A comprehensive strategic financial plan should be developed and updated at least annually for internal use and should also be presented to Hamilton County before the next levy request and during interim levy reporting periods. The strategic long-term financial plan should address the following areas that we believe pose considerable risk and uncertainty:

- Risk that future attendance will eventually become flat or decrease as the excitement associated with recent new exhibits fades or the park reaches maximum capacity.

The CZ&BG's response:

- With the much publicized birth of Fiona we have seen what may be close to our peak attendance in our current situation. Historically we know that new exhibits initially draw attention but then attendance resets itself back to its comfortable norm. Our great regulator is parking. As parking improves or expands that is, we feel, what will cause our attendance to grow. We are planning for modest increases in attendance into the future.
- Risk that future revenue increases will not be able to keep pace with escalating fixed costs.

The CZ&BG's response:

- We are living through escalating fixed costs right now. We continue to be innovative in new revenue offerings and pricing structures to keep a healthy bottom line.
- Risk that operations will not be able to fund the capital reinvestment needed to keep the CZ&BG's existing and aging infrastructure operating in light of both the age and complexity of the existing park, as well as increasing animal care standards.

Appendix B
CZ&BG's Response to 2017 HW&Co. Report

The CZ&BG's response:

- This is a constant challenge as you have seen and heard from our tours these past 2 days. Again we operate in a balanced budget situation so if we see increased costs in some area as a result of animal care standards or other items we will pivot, cut back on something else, push on revenue with new programs or ideas, etc. We also take the opportunity to privately raise funds if we have a compelling situation we feel will appeal to a donor.
- Risk that the current endowment fund is not large enough to act as a safety net for the CZ&BG in light of the recent expansion and increased fixed operating costs.

The CZ&BG's response:

- We are in this exact discussion and evaluation right now. As referenced above, the Zoo Board and Foundation Board (the chairs specifically) are in active discussions as to what that perfect number is for the size of the endowment and how to get to that goal. We realize we have a large amount of fixed costs. We are constantly looking to the future to understand what changes in standards will present challenges for us.
- Risk that future expansion will increase fixed expenses to an unsustainable level. We believe there is a direct correlation between expansion and increased fixed costs.

The CZ&BG's response:

- By adding to the endowment to create a larger operating draw we are making efforts to cover increased operating costs as a result of expansion. In some situations however our old facilities are actually so inefficient from an energy perspective as well as a staff care perspective that even with a brand new and often larger exhibit in its place we are able to keep costs relatively neutral by implementing a better workflow and more efficient equipment. More often our increased expenses are attributed to increased animal care standards.

Appendix C Strategic Plan Document



Cincinnati Zoo & Botanical Garden - One Page Strategic Plan® (OGSP®) v12.0 FY 2022-2024

Mission: Creating Adventure, Conveying Knowledge, Conserving Nature, Serving Community
Vision: Inspiring Passion for Nature and Saving Wildlife for Future Generations!

FY 2022-24 OBJECTIVE:

'What' is Winning ...

To Inspire Every Visitor with Wildlife Every Day.

GOALS: (Owner: Voss)

FY End 31	FY22 (actual)	FY23 (budget)	FY24 (projected)
Financial Position			
Ops Net w/ Releases	\$16,669,785	\$7,036,590	\$7,500,000
Impact on Cash	\$1,177,080	\$1,000,000	\$1,000,000
Attendance			
# Members	1,637,180	1,660,000	1,700,000
% Members	961,885	914,304	935,000
# Member Households	58.7%	55.4%	55.0%
Social Media Followers	75,680	78,000	80,000
Per Cap Measures and Sales			
Admissions/Rides/Park	\$9.47	\$7.57	\$7.65
Retail (gross)	\$3.81	\$3.30	\$4.00
Food (gross)	\$5.02	\$4.94	\$5.00
Contributions			
Operating Contributions	\$4,248,915	\$3,739,035	\$4,000,000
Capital Contributions	\$22,990,826	\$8,500,000	\$8,500,000
Sponsorship Revenue	\$1,876,577	\$1,965,750	\$2,000,000
Animal Excellence			
# species behavioral research	7	12	20
# participants in training	103	120	140
DEAI: Access for All			
# Access Memberships	4,363	5,000	5,500
# Access Revenue	\$189,310	\$215,000	\$237,000
# Access Tickets	14,300	16,000	17,000
# Access Ticket Revenue	\$70,383	\$75,000	\$80,000
Delivering Elephant Trek			
On Schedule			
On Budget			
Carbon Footprint Impact			
Total Utilities Expense	\$339,942	\$1,044,000	\$1,160,000
Electric Usage (kwh)	8,426,795	9,035,088	9,100,000
Natural Gas Usage (cfd)	284,907	289,421	275,000
Water Usage (gallons)	46,311,720	44,895,195	45,000,000
Conservation Impact			
# Certified Gardens	551	500	500
Field Conservation Contributions	\$306,816	\$479,130	\$600,000

STRATEGIES: (Captain)

'How' we will Win ...

1. Implement Animal Excellence (Orban)

Implement the highest standards of animal welfare by applying a holistic and evidence-based approach to animal care and by developing a high-functioning, progressive team of animal care professionals.

Strategy Team: David Orban, Christina Gorsuch, Cat Razal, Jenny Gainer, Michelle Curley, Tony James, Chris Bevacqua & Animal Excellence Committee.

2. Enhance Visitor Engagement (Yelton)

Create an inclusive, visitor-focused culture that delivers inspired wildlife experiences, exciting attractions and seamless interactions that harness the power of digital technologies.

Strategy Team: Chad Yelton, Kate Rechtsteiner, Meredith Hughes, Michelle Curley, Dan Marsh, David Jenike, Mollie O'Neil, Jane Novak Cook & Visitor Engagement Committee

3. Delivering Elephant Trek (Fisher)

Deliver (design, fund, build and operate) the Elephant Trek habitat as a best-in-class facility that advances our commitment to excellence in elephant care and management, net zero design, visitor experience and field conservation collaboration.

Strategy Team: Reba Dysart, Mark Fisher, Dave Jenike, Dean Violette, David Orban, Christina Gorsuch, Stephanie Ritchey, Thane Maynard, Eileen Barrett and MH2R Capital Cabinet Executive Committee

4. Advance Collaborative Conservation (L. Maynard)

Advance CZBG conservation impact and leadership through active collaboration and leveraging our knowledge and resources with staff, our community, and global partners.

Strategy Team: Lily Maynard, Thane Maynard, Dave Jenike, Terri Roth, Mark Fisher, Mollie O'Neil, David Orban, Christina Gorsuch, Michelle Curley, Dan Marsh, Steve Foltz, George Molinsky and Community Engagement & Government Relations Committee, Eileen Barrett and Conservation Committee, Jack Oliver and Botanical Committee.

5. Diversity, Equity, Access, & Inclusion (Jenike)

Build and strengthen our internal DEI culture through actions that value diversity and address inequities to more effectively achieve our mission.

Strategy Team: Dave Jenike, David Orban, Mollie O'Neil, Jeff Walton, Reba Dysart, Julia Glenn

FY2023 PLANS: (Owner) [Relative Priority: A,B,C,D]

- 1a) Re-initiate animal welfare assessment and behavior research programs, integrating Microsoft Office 365 collaborative technology. (Razal)
- 1b) Modernize safety standards and standard operating procedures for each animal area. (Gorsuch)
- 1c) Maintain culture change momentum towards improved leadership, collaboration, and innovation. (Orban)
- 1d) Re-activate behavioral husbandry programs to reflect and enhance the animals' holistic experience. (Gainer)

- 2a) Create Inspired Visitor Experiences through training and setting expectations to deliver, measure progress, and celebrate success stories. (Rechtsteiner)
- 2b) Engineer opportunities to wow visitors with Facilities & Attractions that provide appealing views and experiences of animals and plants in a pleasant park-like setting. (Hughes)
- 2c) Harness the power of digital technology to enhance the visitor experience & realize efficiencies. (Curley)
- 2d) Build on momentum of "Access for All" Program to ensure any individual can enjoy the zoo. (O'Neil)

- 3a) Continue design and construction of Elephant Trek while mitigating the pressures of inflation and maintaining progress toward net zero. (Fisher)
- 3b) Leverage innovation and operational efficiencies during the MH2R physical and staff transformation. (Jenike)
- 3c) Implement advanced elephant care strategies as a foundation for the 2023 CZBG Elephant Program which will include new elephants, staff, and the facility. (Gorsuch)
- 3d) Create a comprehensive conservation plan for supporting Asian elephant's future in the wild. (L. Maynard)

- 4a) Enhance conservation partnerships with co-developed goals and activities through increased Zoo staff involvement. (L. Maynard)
- 4b) Promote coexistence by co-developing community engagement programs and projects with internal and external partners. (O'Neil)
- 4c) Create staff/board engagement structure and communication plan to facilitate involvement in conservation action, science, and sustainability. (Donelan)
- 4d) Conduct research on effective techniques to promote coexistence and behavior change. (L. Maynard)

- 5a) Update employment practices and curate training and resources to remove barriers, reduce bias, and increase transparency in support of a more inclusive workplace. (Walton)
- 5b) Celebrate diversity of the communities we serve and represent through meaningful events and media. (DeGrood)
- 5c) Redesign intern programs to reduce barriers and build a pipeline for more diverse representation. (O'Neil)
- 5d) Implement tracking system & goal targets for purchasing & contracting with women-owned, minority-owned, and small businesses. (Tipes)

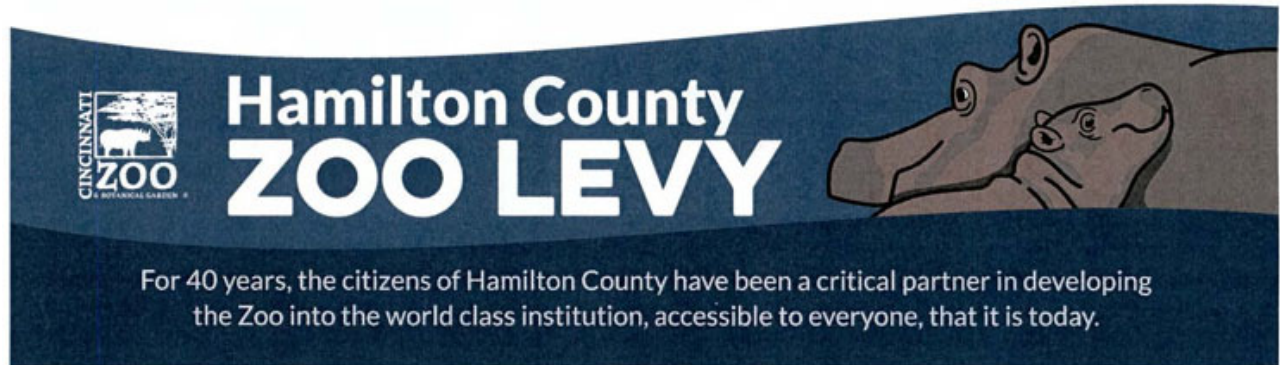
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**1.7
MILLION
VISITORS!**

The Zoo Levy helps keep the Cincinnati Zoo affordable for everyone!

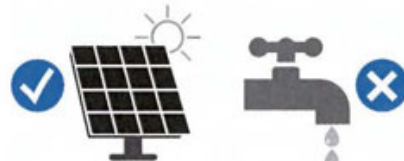
About **65%** of visitors come from outside the metro region



**LEVY FUNDS ONLY GO TO
ONGOING, BASIC ZOO NEEDS:**

-  **Veterinary Care**
-  **Animal Care Staff**
-  **Animal Food**
-  **Maintenance & Utilities**

*New habitats, like **Elephant Trek**, are funded by private donations.*



**GOOD STEWARD OF
TAXPAYER DOLLARS**

Sustainability efforts have saved the Zoo over **\$1 million** per year on utilities and almost two billion gallons of water over the last 15 years.

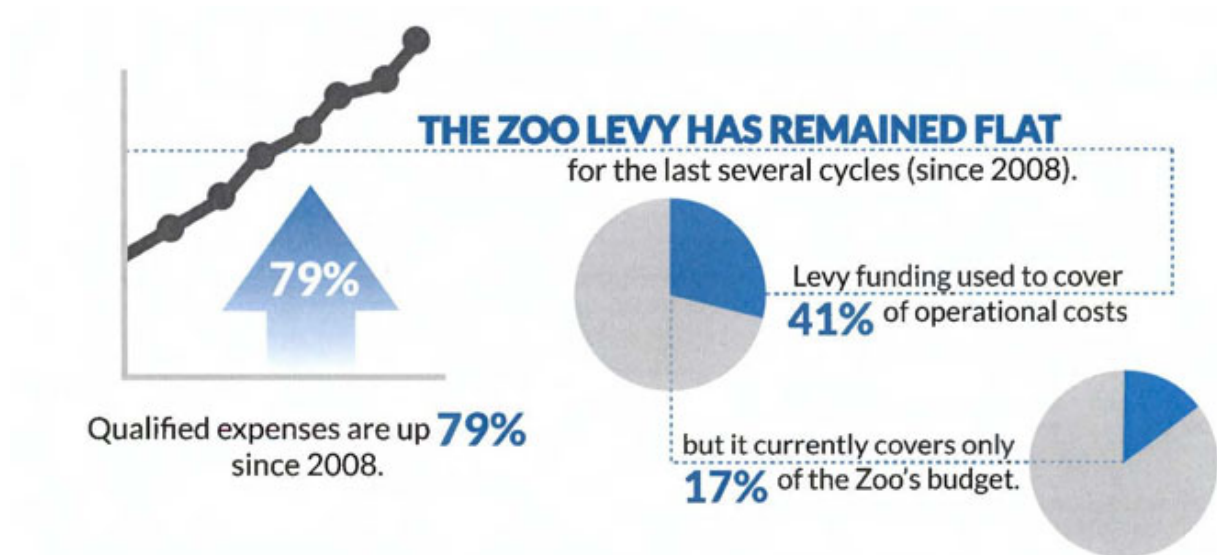
The current Zoo levy is a high-return investment: **75¢/month***

*per \$100K valuation.



The Cincinnati Zoo has a significant and beneficial impact on the area, providing **\$143,000,000** annual economic impact to our region*, a 350% return on investment (generated via operating expenditures.)

*2012 University of Cincinnati study



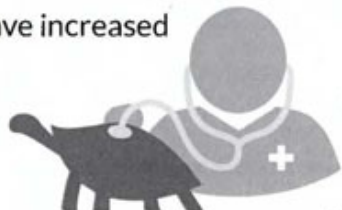
ZOO ACCESS FOR ALL

The Zoo offers reduced admission and membership to low income families, and provides **FREE field trips** to thousands of students in Hamilton County.



INCREASING STANDARDS OF CARE FOR ANIMALS

Tougher AZA accreditation and USDA regulations under the Animal Welfare Act have increased costs.

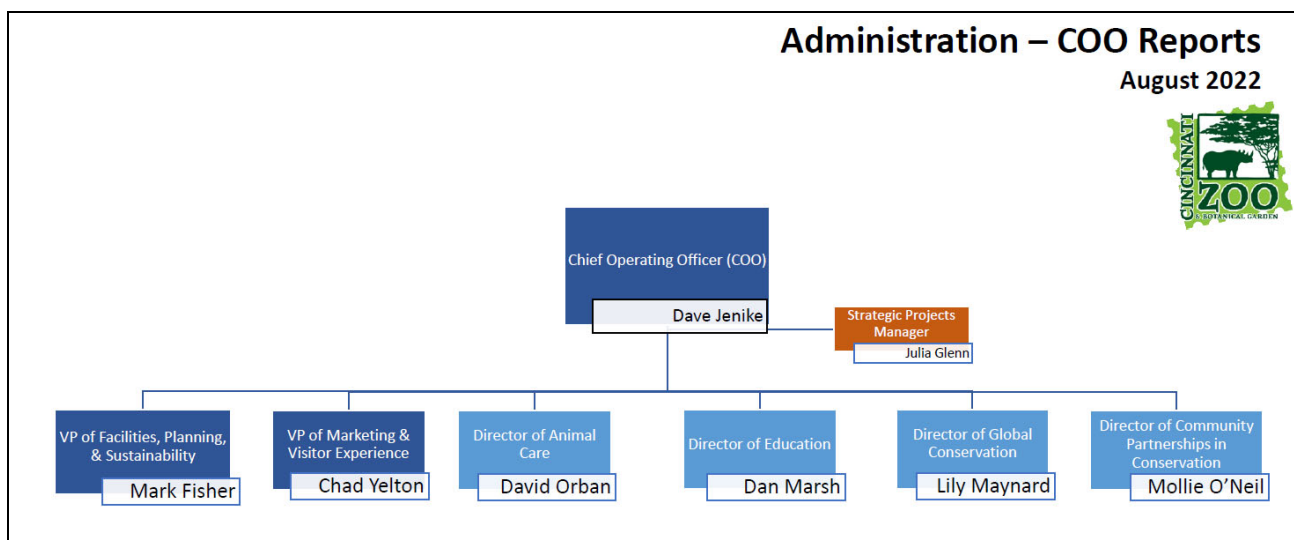
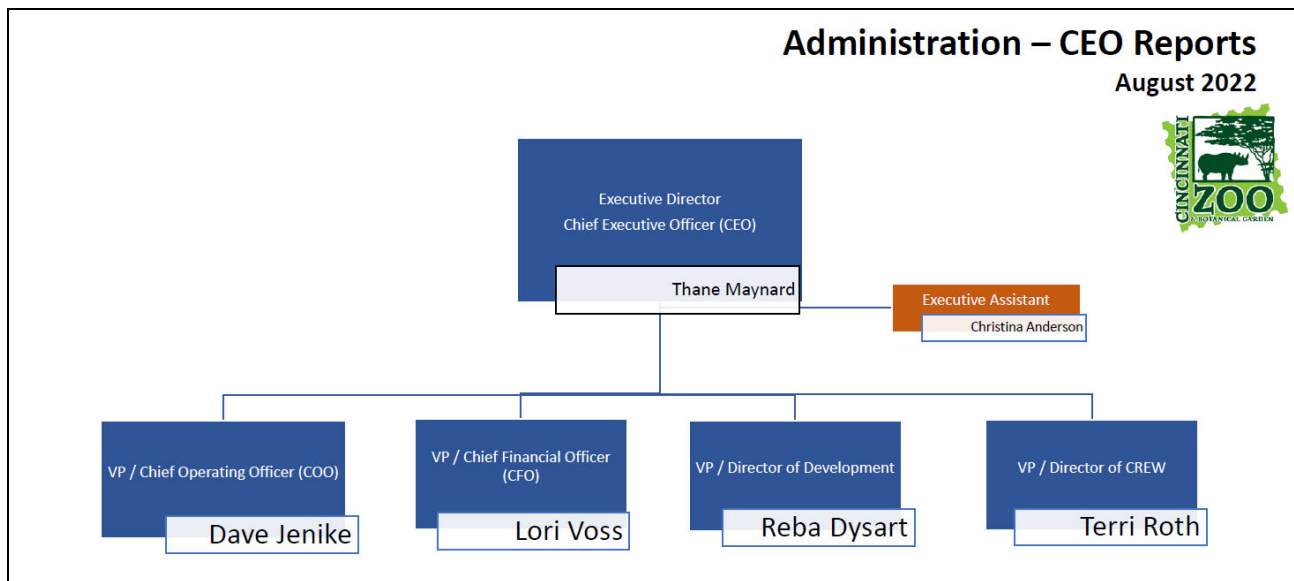


AGING INFRASTRUCTURE



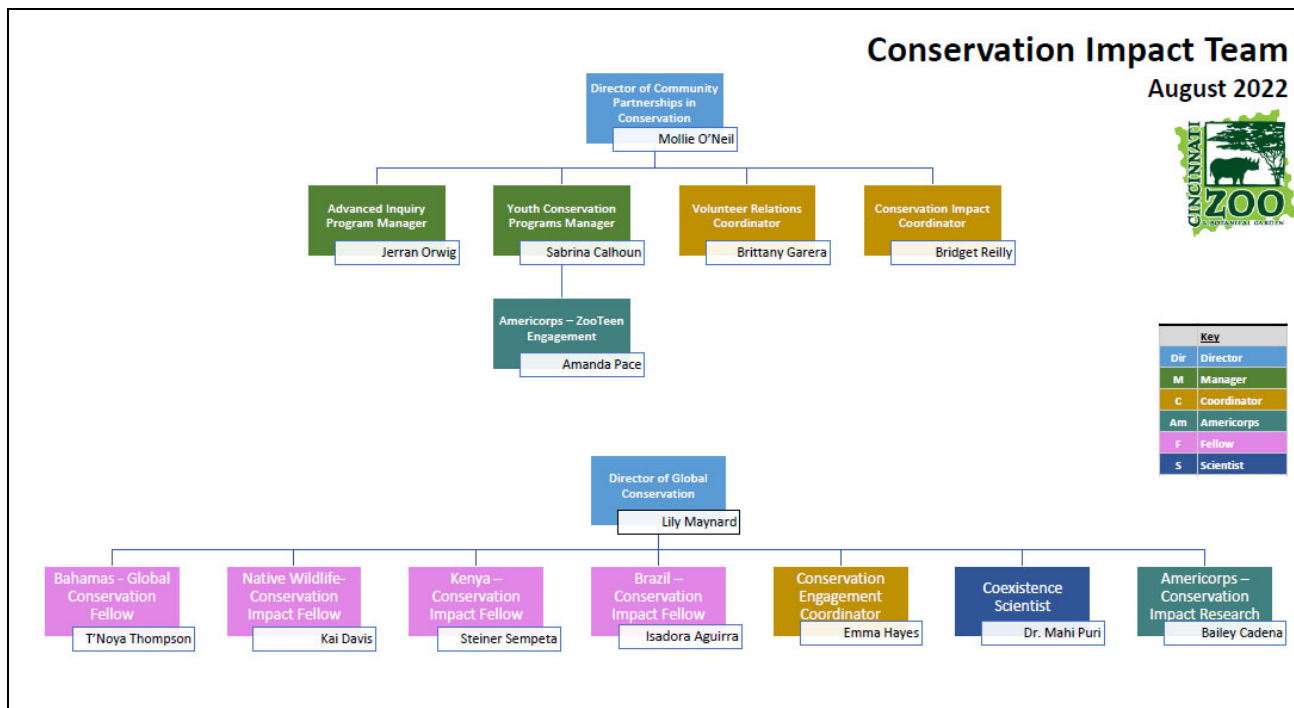
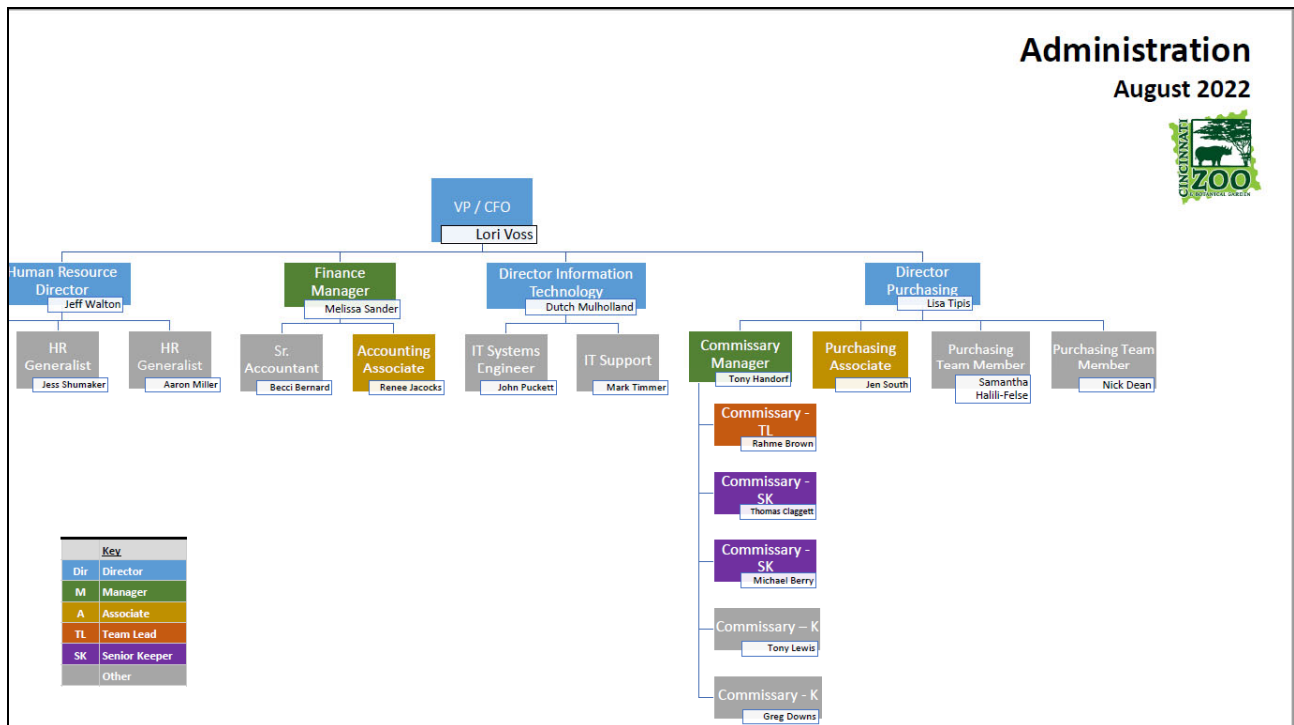
The Zoo has **3 buildings** over **115 years old** and **40% of our facilities** are over **80 years old**.

Appendix E
Full CZ&BG Organization Chart



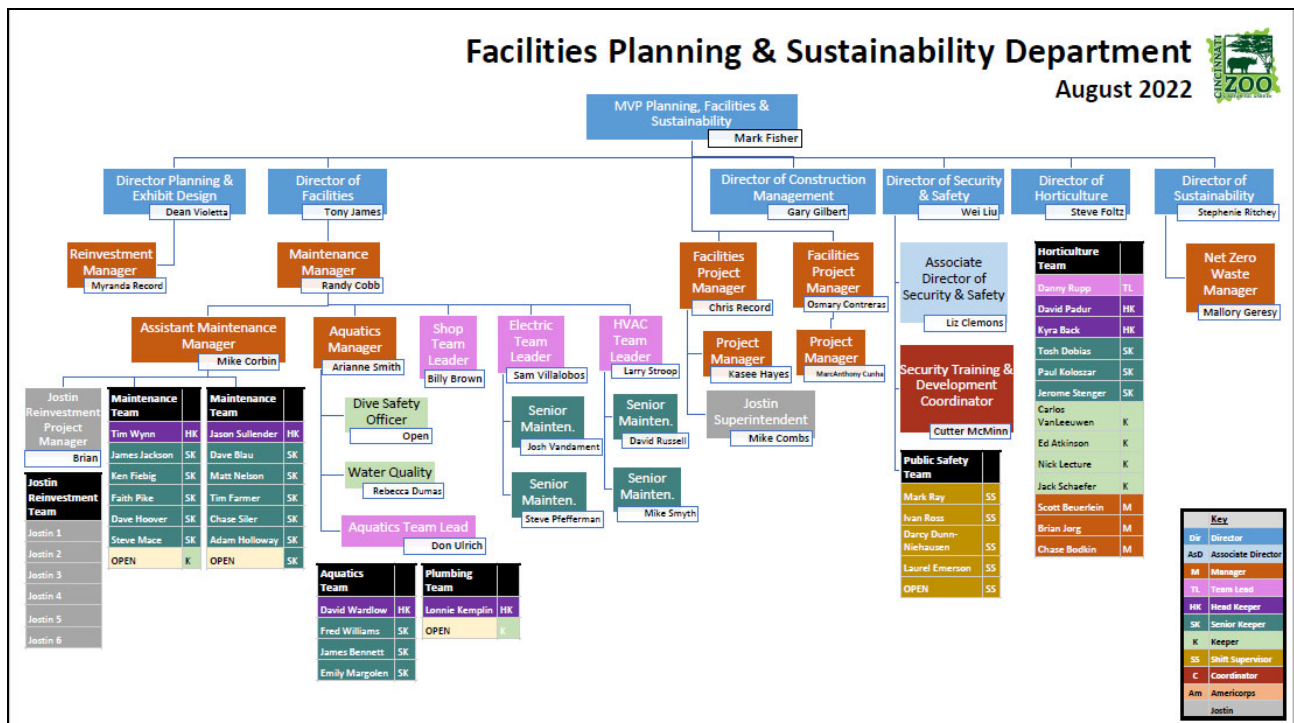
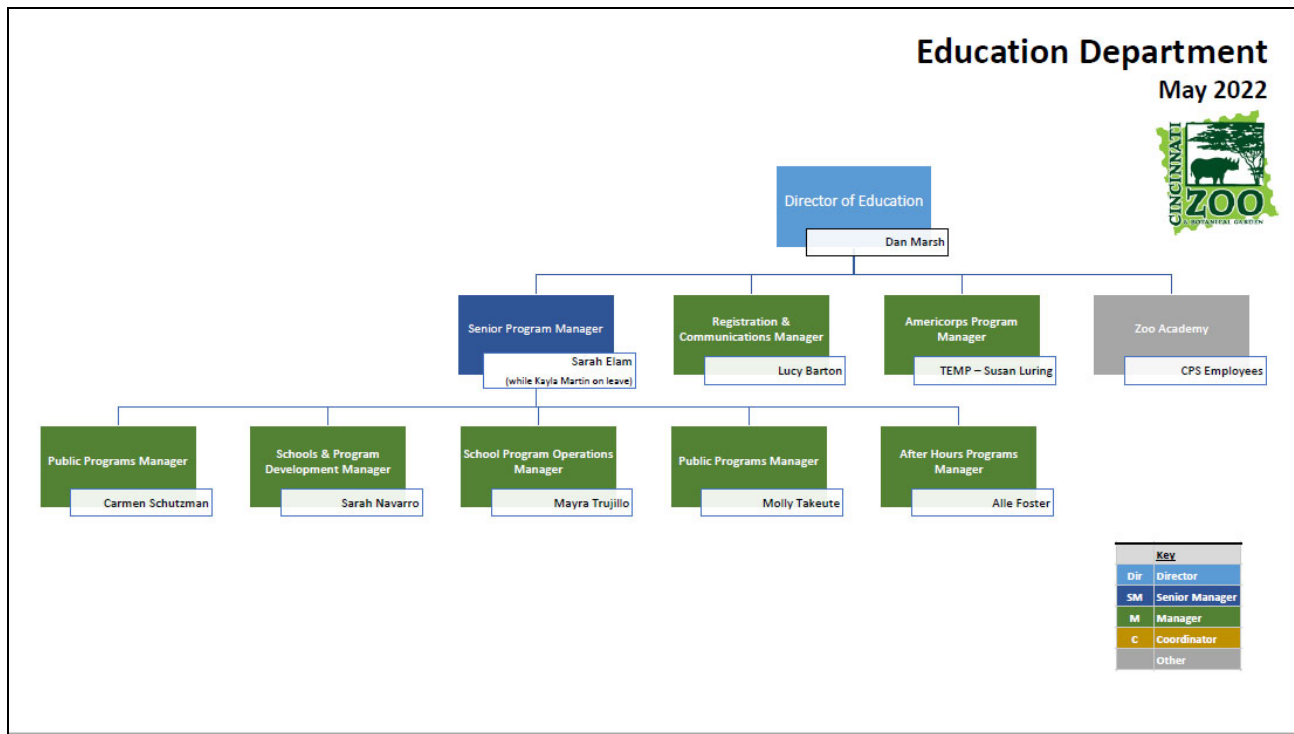
Appendix E

Full CZ&BG Organization Chart



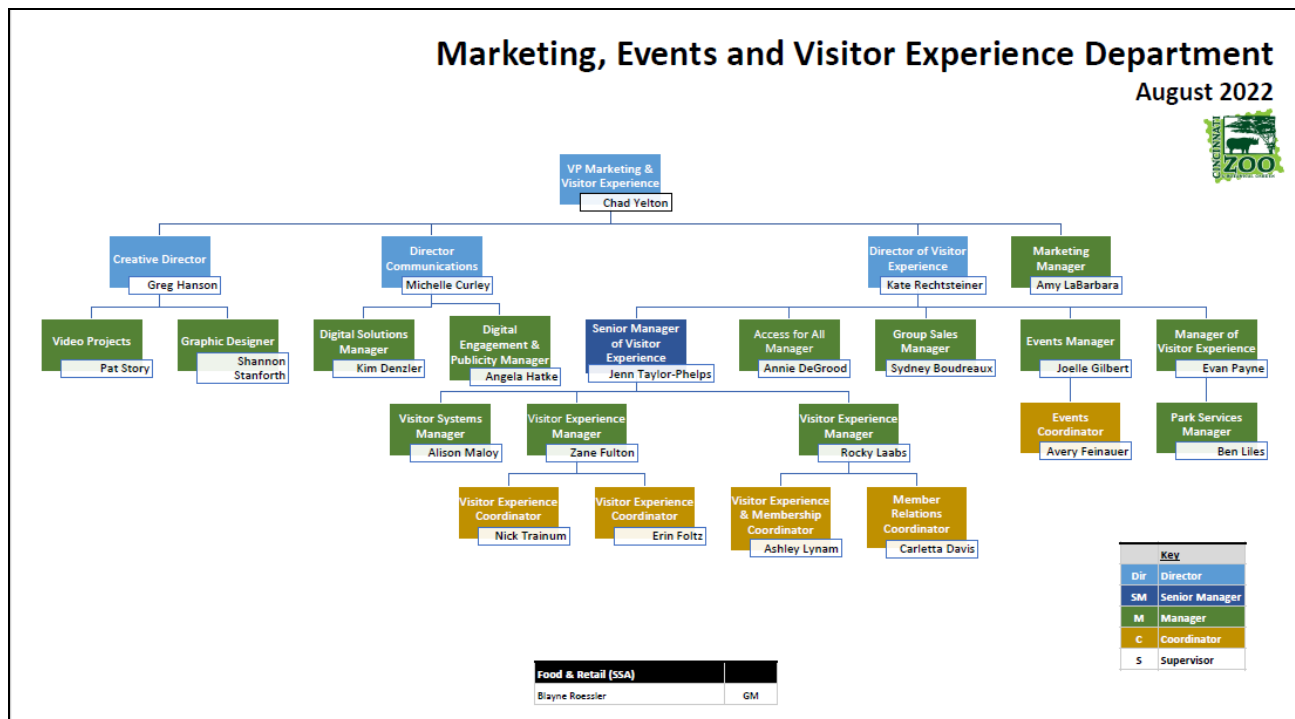
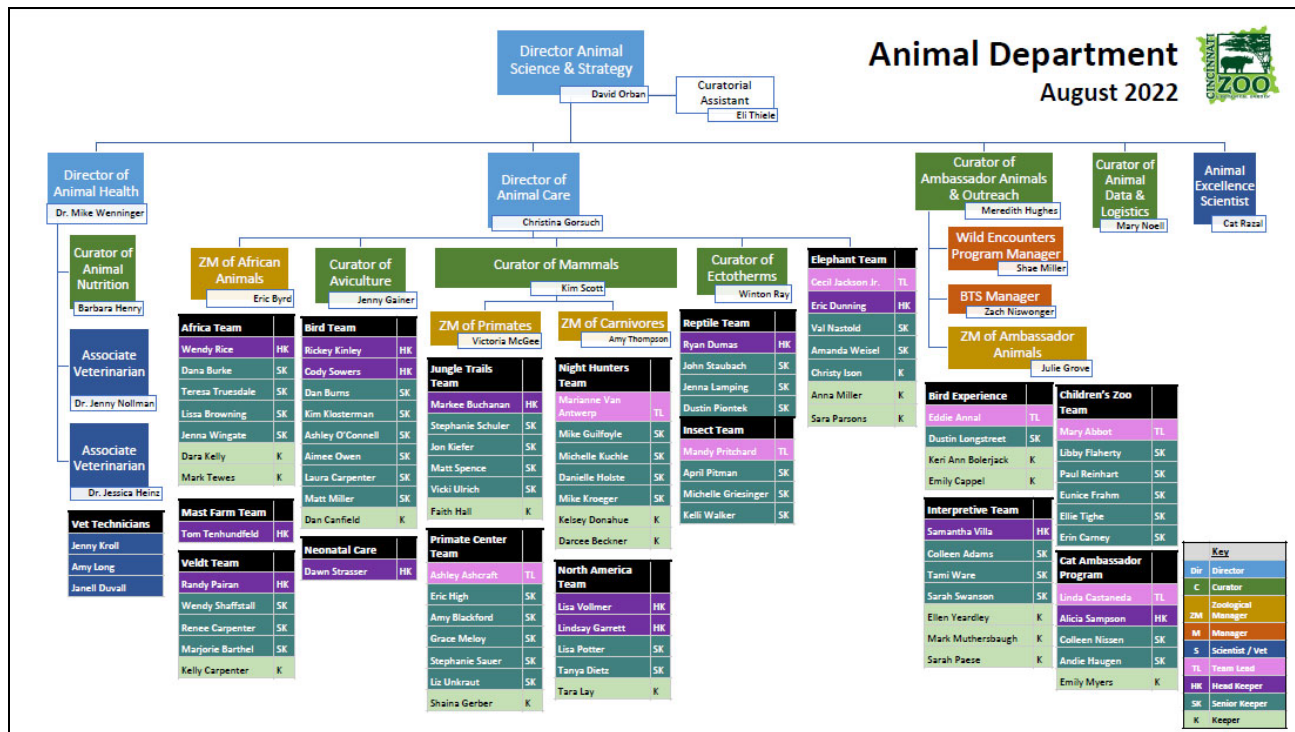
Appendix E

Full CZ&BG Organization Chart



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