

SEDGWICK COUNTY ZOO
INDEPENDENT AUDITOR'S REPORT
AND
COMBINED FINANCIAL STATEMENTS
December 31, 2022 and 2021



SEDGWICK COUNTY ZOO
INDEPENDENT AUDITOR'S REPORT
AND
COMBINED FINANCIAL STATEMENTS
December 31, 2022 and 2021

CONTENTS

Independent Auditor's Report	1
Financial Statements	
Combined Statements of Financial Position	3
Combined Statements of Activities	5
Combined Statements of Functional Expenses	7
Combined Statements of Cash Flows	9
Notes to Combined Financial Statements	11

Independent Auditor's Report

Board of Trustees
Sedgwick County Zoological Foundation, Inc.

Board of Trustees
Sedgwick County Zoological Society, Inc.

Board of County Commissioners
Sedgwick County, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of Sedgwick County Zoo (Note 1), which comprise the combined statements of financial position as of December 31, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sedgwick County Zoo, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

doubt about Sedgwick County Zoo's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sedgwick County Zoo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sedgwick County Zoo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Regin Carr & Monroe LLP

July 25, 2023
Wichita, Kansas

SEDGWICK COUNTY ZOO
Combined Statements of Financial Position
December 31, 2022 and 2021

	2022				2021			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 4,130,387	\$ -	\$ 4,130,387	\$ -	\$ 6,958,921	\$ -	\$ 6,958,921	\$ -
Investments	5,565,126	-	199,289	5,365,837	6,367,169	-	-	6,367,169
Accounts receivable	367,553	262,387	104,011	1,155	246,918	228,098	18,820	-
Grant receivable	96,209	-	96,209	-	-	-	-	-
Pledges receivable, current	167,448	-	167,448	-	714,286	-	714,286	-
Prepaid expenses	230,575	-	230,575	-	157,141	-	157,141	-
Total current assets	10,557,298	262,387	4,927,919	5,366,992	14,444,435	228,098	7,849,168	6,367,169
OTHER ASSETS								
Long-term pledges receivable, net	126,000	-	126,000	-	548,539	-	548,539	-
Beneficial interest-remainder trust and estates	1,023,867	-	1,023,867	-	1,315,457	-	1,315,457	-
Total other assets	1,149,867	-	1,149,867	-	1,863,996	-	1,863,996	-
PROPERTY AND EQUIPMENT								
Land and site development	2,800,674	2,800,674	-	-	2,800,674	2,800,674	-	-
Buildings and improvements	82,613,425	82,613,425	-	-	75,608,957	75,608,957	-	-
Machinery and equipment	4,106,080	-	4,106,080	-	3,810,403	-	3,810,403	-
Other assets	14,937	14,937	-	-	14,937	14,937	-	-
Accumulated depreciation	(44,140,617)	(42,068,771)	(2,071,846)	-	(41,482,584)	(39,611,431)	(1,871,153)	-
Construction in progress	289,523	289,523	-	-	690,441	690,441	-	-
Net property and equipment	45,684,022	43,649,788	2,034,234	-	41,442,828	39,503,578	1,939,250	-
Total assets	\$ 57,391,187	\$ 43,912,175	\$ 8,112,020	\$ 5,366,992	\$ 57,751,259	\$ 39,731,676	\$ 11,652,414	\$ 6,367,169

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

SEDGWICK COUNTY ZOO
Combined Statements of Financial Position (Continued)
December 31, 2022 and 2021

	2022				2021			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable	\$ 452,551	\$ -	\$ 452,551	\$ -	\$ 486,090	\$ -	\$ 486,090	\$ -
Salaries and wages payable	348,099	262,387	85,712	-	297,681	228,098	69,583	-
Accrued compensated absences	256,808	212,562	44,246	-	258,565	220,793	37,772	-
Unearned income	356,011	-	356,011	-	300,980	-	300,980	-
Notes payable-Sedgwick County - current	-	-	-	-	234,011	-	234,011	-
Other liabilities	183,282	-	183,282	-	88,815	-	88,815	-
Total current liabilities	<u>1,596,751</u>	<u>474,949</u>	<u>1,121,802</u>	<u>-</u>	<u>1,666,142</u>	<u>448,891</u>	<u>1,217,251</u>	<u>-</u>
LONG TERM LIABILITIES								
Note payable-Sedgwick County	-	-	-	-	234,011	-	234,011	-
Total long term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,011</u>	<u>-</u>	<u>234,011</u>	<u>-</u>
Total liabilities	<u>1,596,751</u>	<u>474,949</u>	<u>1,121,802</u>	<u>-</u>	<u>1,900,153</u>	<u>448,891</u>	<u>1,451,262</u>	<u>-</u>
NET ASSETS								
Without donor restrictions								
Unrestricted	53,718,421	43,437,226	5,505,650	4,775,545	48,590,683	39,282,785	3,535,813	5,772,085
Unrestricted-board designated	632,949	-	632,949	-	2,289,436	-	2,289,436	-
Total without donor restrictions	<u>54,351,370</u>	<u>43,437,226</u>	<u>6,138,599</u>	<u>4,775,545</u>	<u>50,880,119</u>	<u>39,282,785</u>	<u>5,825,249</u>	<u>5,772,085</u>
With donor restrictions	1,443,066	-	851,619	591,447	4,970,987	-	4,375,903	595,084
Total with donor restrictions	<u>1,443,066</u>	<u>-</u>	<u>851,619</u>	<u>591,447</u>	<u>4,970,987</u>	<u>-</u>	<u>4,375,903</u>	<u>595,084</u>
Total net assets	<u>55,794,436</u>	<u>43,437,226</u>	<u>6,990,218</u>	<u>5,366,992</u>	<u>55,851,106</u>	<u>39,282,785</u>	<u>10,201,152</u>	<u>6,367,169</u>
Total liabilities and net assets	<u>\$ 57,391,187</u>	<u>\$ 43,912,175</u>	<u>\$ 8,112,020</u>	<u>\$ 5,366,992</u>	<u>\$ 57,751,259</u>	<u>\$ 39,731,676</u>	<u>\$ 11,652,414</u>	<u>\$ 6,367,169</u>

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

SEDGWICK COUNTY ZOO
Combined Statements of Activities
For the Years Ending December 31, 2022 and 2021

	2022				2021			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS								
Support								
Sedgwick County	\$ 8,875,514	\$ 8,475,514	\$ 400,000	\$ -	\$ 8,479,244	\$ 8,279,244	\$ 200,000	\$ -
Donations and grants	262,903	-	262,903	-	3,771,984	-	3,771,984	-
Zoobilee donations	144,783	-	144,783	-	136,833	-	136,833	-
Promotional contributions	77,790	-	77,790	-	99,201	-	99,201	-
In-kind contributions	265,947	-	265,947	-	317,706	-	317,706	-
Animal adoptions	-	-	-	-	9,361	-	9,361	-
Paycheck protection program	-	-	-	-	711,462	-	711,462	-
Total support without donor restrictions	<u>9,626,937</u>	<u>8,475,514</u>	<u>1,151,423</u>	<u>-</u>	<u>13,525,791</u>	<u>8,279,244</u>	<u>5,246,547</u>	<u>-</u>
Revenues, gains and losses								
Concessions	794,969	-	794,969	-	766,293	-	766,293	-
Less cost of goods sold	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,445</u>	<u>-</u>	<u>12,445</u>	<u>-</u>
Gross profit-concession sales	794,969	-	794,969	-	753,848	-	753,848	-
Admissions	2,992,238	-	2,992,238	-	2,524,965	-	2,524,965	-
Memberships	2,759,645	-	2,759,645	-	2,424,842	-	2,424,842	-
Zoobilee	882,350	-	882,350	-	791,142	-	791,142	-
Lantern event	473,085	-	473,085	-	636,242	-	636,242	-
Onsite attractions	839,797	-	839,797	-	-	-	-	-
Net investment income/(loss)	(994,891)	-	1,649	(996,540)	701,915	-	1,699	700,216
Other income	533,758	-	533,758	-	604,486	-	604,486	-
Gain/(Loss) on disposition of property assets	(21,143)	(21,143)	-	-	(138,373)	(102,448)	(35,925)	-
Total revenue without donor restrictions	<u>8,259,808</u>	<u>(21,143)</u>	<u>9,277,491</u>	<u>(996,540)</u>	<u>8,299,067</u>	<u>(102,448)</u>	<u>7,701,299</u>	<u>700,216</u>
Total support and revenue without donor restrictions	<u>17,886,745</u>	<u>8,454,371</u>	<u>10,428,914</u>	<u>(996,540)</u>	<u>21,824,858</u>	<u>8,176,796</u>	<u>12,947,846</u>	<u>700,216</u>
Assets transferred to County	<u>-</u>	<u>4,797,033</u>	<u>(4,797,033)</u>	<u>-</u>	<u>-</u>	<u>6,853,707</u>	<u>(6,853,707)</u>	<u>-</u>
Total assets transferred	<u>\$ -</u>	<u>\$ 4,797,033</u>	<u>\$ (4,797,033)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,853,707</u>	<u>\$ (6,853,707)</u>	<u>\$ -</u>

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

SEDGWICK COUNTY ZOO
Combined Statements of Activities (Continued)
For the Years Ending December 31, 2022 and 2021

	2022				2021			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)								
Satisfaction of restrictions								
Bequests - timing restrictions	\$ 9,374	\$ -	\$ 9,374	\$ -	\$ 2,995	\$ -	\$ 2,995	\$ -
Elephant exhibit	15,389	-	15,389	-	1,166	-	1,166	-
Conservation	96,209	-	96,209	-	-	-	7,625	-
Winter fund	48,586	-	48,586	-	57,969	-	57,969	-
Zookeeper training	11,913	-	11,913	-	1,101	-	1,101	-
Train	3,400,745	-	3,400,745	-	99,298	-	99,298	-
New entry	50,446	-	50,446	-	3,291,843	-	3,291,843	-
Leopard exhibit	82,051	-	82,051	-	2,785,804	-	2,785,804	-
Total satisfaction of restrictions	3,714,713	-	3,714,713	-	6,247,801	-	6,247,801	-
Expenses								
Operations	15,069,482	9,023,542	6,045,940	-	13,713,129	8,481,118	5,232,011	-
Guest services	1,714,408	-	1,714,408	-	1,257,509	-	1,257,509	-
Administrative	841,934	63,867	778,067	-	462,551	111,235	351,316	-
Fundraising	504,382	9,554	494,828	-	619,121	53,641	565,480	-
Total expenses	18,130,206	9,096,963	9,033,243	-	16,052,310	8,645,994	7,406,316	-
Increase (Decrease) in net assets without donor restrictions	3,471,252	4,154,441	313,351	(996,540)	12,020,349	6,384,509	4,935,624	700,216
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS								
Donations and grants	190,428	-	190,428	-	4,319,751	-	4,319,751	-
Net investment income/(loss)	(3,637)	-	-	(3,637)	2,286	-	-	2,286
Satisfaction of restrictions	(3,714,713)	-	(3,714,713)	-	(6,247,801)	-	(6,247,801)	-
Increase (decrease) in donor restricted net assets	(3,527,922)	-	(3,524,285)	(3,637)	(1,925,764)	-	(1,928,050)	2,286
Increase (Decrease) in net assets	(56,670)	4,154,441	(3,210,934)	(1,000,177)	10,094,585	6,384,509	3,007,574	702,502
Net assets - beginning of year	55,851,106	39,282,785	10,201,152	6,367,169	45,756,521	32,898,276	7,193,578	5,664,667
Net assets - end of year	<u>\$ 55,794,436</u>	<u>\$ 43,437,226</u>	<u>\$ 6,990,218</u>	<u>\$ 5,366,992</u>	<u>\$55,851,106</u>	<u>\$ 39,282,785</u>	<u>\$10,201,152</u>	<u>\$ 6,367,169</u>

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

SEDGWICK COUNTY ZOO
Combined Statement of Functional Expenses
For the Year Ended December 31, 2022

	Sedgwick County					Sedgwick County Zoological Society, Inc.					Sedgwick County
	Combined Total	Program			Fund- Raising	Total	Program			Fund- Raising	Zoological Foundation
		Total	Operations	Admin- istrative			Operations	Guest Services	Admin- istrative		
Salaries	\$ 5,910,490	\$ 4,356,978	\$ 4,302,273	\$ 47,137	\$ 7,568	\$ 1,553,512	\$ 264,097	\$ 916,572	\$ 170,886	\$ 201,957	\$ -
Employee benefits	1,491,526	1,236,190	1,226,567	8,894	729	255,336	43,407	150,648	28,087	33,194	-
Payroll taxes	472,597	355,981	351,712	3,667	602	116,616	19,825	68,803	12,828	15,160	-
Retirement expense	439,601	415,602	410,778	4,169	655	23,999	4,080	14,159	2,640	3,120	-
Total payroll expenses	8,314,214	6,364,751	6,291,330	63,867	9,554	1,949,463	331,409	1,150,182	214,441	253,431	-
Utilities	808,207	-	-	-	-	808,207	767,797	-	20,205	20,205	-
Telephone	36,237	-	-	-	-	36,237	26,091	-	5,073	5,073	-
Repairs and maintenance	955,591	-	-	-	-	955,591	898,733	9,556	23,651	23,651	-
Animal food	735,474	-	-	-	-	735,474	735,474	-	-	-	-
Promotions	528,887	-	-	-	-	528,887	528,887	-	-	-	-
Insurance	145,864	-	-	-	-	145,864	102,105	14,586	21,880	7,293	-
Animal and grounds supplies	532,306	-	-	-	-	532,306	532,306	-	-	-	-
Education and research supplies	12,268	-	-	-	-	12,268	12,268	-	-	-	-
Other supplies	256,138	-	-	-	-	256,138	192,104	-	32,017	32,017	-
Animal purchases	11,106	-	-	-	-	11,106	11,106	-	-	-	-
Professional fees	53,744	-	-	-	-	53,744	-	-	53,744	-	-
Contractual expenditures	1,423,458	-	-	-	-	1,423,458	560,473	470,554	392,431	-	-
Travel and training	119,536	-	-	-	-	119,536	117,146	-	1,195	1,195	-
Postage	37,911	-	-	-	-	37,911	28,433	-	4,739	4,739	-
Uniforms	45,667	-	-	-	-	45,667	45,667	-	-	-	-
Other	103,149	-	-	-	-	103,149	103,149	-	-	-	-
Exhibit and group fees	304,926	-	-	-	-	304,926	304,926	-	-	-	-
Direct costs of Zoobilee	625,660	-	-	-	-	625,660	487,127	-	-	138,533	-
Total expenses											
before depreciation	15,050,343	6,364,751	6,291,330	63,867	9,554	8,685,592	5,785,201	1,644,878	769,376	486,137	-
Depreciation	3,079,863	2,732,212	2,732,212	-	-	347,651	260,739	69,530	8,691	8,691	-
Total expenses	\$ 18,130,206	\$ 9,096,963	\$ 9,023,542	\$ 63,867	\$ 9,554	\$ 9,033,243	\$ 6,045,940	\$ 1,714,408	\$ 778,067	\$ 494,828	\$ -

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

SEDGWICK COUNTY ZOO
Combined Statement of Functional Expenses
For the Year Ended December 31, 2021

	Sedgwick County					Sedgwick County Zoological Society, Inc.					Sedgwick County
	Combined Total	Program			Fund- Raising	Program			Fund- Raising	Zoological Foundation	
		Total	Operations	Admin- istrative		Total	Operations	Guest Services			Admin- istrative
Salaries	\$ 5,871,825	\$ 4,228,707	\$ 4,102,700	\$ 84,111	\$ 41,896	\$ 1,643,118	\$ 279,330	\$ 969,440	\$ 180,743	\$ 213,605	\$ -
Employee benefits	1,448,618	1,224,759	1,208,828	11,727	4,204	223,859	38,056	132,077	24,624	29,102	-
Payroll taxes	441,359	316,468	306,266	6,853	3,349	124,891	21,231	73,686	13,738	16,236	-
Retirement expense	407,717	379,439	366,703	8,544	4,192	28,278	4,807	16,684	3,111	3,676	-
Total payroll expenses	8,169,519	6,149,373	5,984,497	111,235	53,641	2,020,146	343,424	1,191,887	222,216	262,619	-
Utilities	754,418	-	-	-	-	754,418	716,698	-	18,860	18,860	-
Telephone	8,542	-	-	-	-	8,542	6,150	-	1,196	1,196	-
Repairs and maintenance	482,362	-	-	-	-	482,362	456,001	2,361	12,000	12,000	-
Animal food	666,098	-	-	-	-	666,098	666,098	-	-	-	-
Promotions	479,097	-	-	-	-	479,097	479,097	-	-	-	-
Insurance	140,206	-	-	-	-	140,206	98,144	14,021	21,031	7,010	-
Animal and grounds supplies	410,441	-	-	-	-	410,441	410,441	-	-	-	-
Education and research supplies	63,999	-	-	-	-	63,999	63,999	-	-	-	-
Other supplies	243,252	-	-	-	-	243,252	179,362	4,102	29,894	29,894	-
Animal purchases	12,113	-	-	-	-	12,113	12,113	-	-	-	-
Professional fees	35,273	-	-	-	-	35,273	-	-	35,273	-	-
Contractual expenditures	1,115,801	-	-	-	-	1,115,801	1,115,430	-	371	-	-
Travel and training	29,746	-	-	-	-	29,746	29,152	-	297	297	-
Postage	36,287	-	-	-	-	36,287	27,215	-	4,536	4,536	-
Uniforms	46,618	-	-	-	-	46,618	46,618	-	-	-	-
Other	44,366	-	-	-	-	44,366	44,366	-	-	-	-
Direct costs of Zoobilee	591,860	-	-	-	-	591,860	368,434	-	-	223,426	-
Total expenses before depreciation	13,329,998	6,149,373	5,984,497	111,235	53,641	7,180,625	5,062,742	1,212,371	345,674	559,838	-
Depreciation	2,722,312	2,496,621	2,496,621	-	-	225,691	169,269	45,138	5,642	5,642	-
Total expenses	\$ 16,052,310	\$ 8,645,994	\$ 8,481,118	\$ 111,235	\$ 53,641	\$ 7,406,316	\$ 5,232,011	\$ 1,257,509	\$ 351,316	\$ 565,480	\$ -

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

SEDGWICK COUNTY ZOO
Combined Statements of Cash Flows
For the Years Ending December 31, 2022 and 2021

	2022				2021			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
Cash flows from operating activities								
Change in net assets	\$ (56,670)	\$ 4,154,441	\$ (3,210,934)	\$ (1,000,177)	\$ 10,094,585	\$ 6,384,509	\$ 3,007,574	\$ 702,502
Adjustments to reconcile change in net assets to net cash provided by operating activities								
Assets transferred to County	-	(4,797,033)	4,797,033	-	-	(6,853,707)	6,853,707	-
Depreciation	3,079,863	2,732,212	347,651	-	2,722,312	2,496,621	225,691	-
Loss on sale of property assets	21,143	21,143	-	-	138,373	102,448	35,925	-
Realized and unrealized (gain)/loss on investments	1,104,482	-	3,076	1,101,406	(521,319)	-	2,380	(523,699)
Noncash contributions of investment securities	(142,526)	-	(142,526)	-	(3,535,658)	-	(3,535,658)	-
Forgiveness of Paycheck Protection Program loan	-	-	-	-	(711,462)	-	(711,462)	-
Net change in beneficial interest in remainder trust and estates	291,590	-	291,590	-	(1,267,769)	-	(1,267,769)	-
Contributions restricted for property	(23,729)	-	(23,729)	-	(4,232,489)	-	(4,232,489)	-
(Increase) decrease in operating assets								
Accounts receivable	(120,635)	(34,289)	(85,191)	(1,155)	43,837	(14,523)	58,360	-
Grants receivable	(96,209)	-	(96,209)	-	46,501	-	46,501	-
Inventories	-	-	-	-	80,131	-	80,131	-
Prepaid expenses	(73,434)	-	(73,434)	-	(74,856)	-	(74,856)	-
Increase (decrease) in operating liabilities								
Accounts payable	(33,539)	-	(33,539)	-	(505,367)	-	(505,367)	-
Salaries and wages payable	50,418	34,289	16,129	-	37,768	14,523	23,245	-
Accrued compensated absences payable	(1,757)	(8,231)	6,474	-	(7,943)	8,336	(16,279)	-
Unearned income	55,031	-	55,031	-	281,183	-	281,183	-
Other liabilities	94,467	-	94,467	-	(15,305)	-	(15,305)	-
Net cash provided from operating activities	\$ 4,148,495	\$ 2,102,532	\$ 1,945,889	\$ 100,074	\$ 2,572,522	\$ 2,138,207	\$ 255,512	\$ 178,803

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

SEDGWICK COUNTY ZOO
Combined Statements of Cash Flows (Continued)
For the Years Ending December 31, 2022 and 2021

	2022				2021			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
Cash flows from investing activities								
Purchase of property and equipment	\$ (7,342,200)	\$ (2,102,532)	\$ (5,239,668.0)	\$ -	\$ (10,634,960)	\$ (2,138,207)	\$ (8,496,753)	\$ -
Purchase of investments	(1,933,749)	-	(59,839)	(1,873,910)	(1,349,511)	-	-	(1,349,511)
Proceeds from sales & maturities of investments	1,773,836	-	-	1,773,836	4,953,986	-	3,783,278	1,170,708
Net cash used from investing activities	(7,502,113)	(2,102,532)	(5,299,507)	(100,074)	(7,030,485)	(2,138,207)	(4,713,475)	(178,803)
Cash flows from financing activities								
Proceeds from paycheck protection program loan	-	-	-	-	302,600	-	302,600	-
Proceeds from contributions restricted for property and equipment	993,106	-	993,106	-	8,414,571	-	8,414,571	-
Payments on capital lease obligations	-	-	-	-	(2,629)	-	(2,629)	-
Repayments on notes payable-Sedgwick County	(468,022)	-	(468,022)	-	(234,011)	-	(234,011)	-
Net cash provided from financing activities	525,084	-	525,084	-	8,480,531	-	8,480,531	-
Net (decrease)/increase in cash and cash equivalents	(2,828,534)	-	(2,828,534)	-	4,022,568	-	4,022,568	-
Cash and cash equivalents-beginning of year	6,958,921	-	6,958,921	-	2,936,353	-	2,936,353	-
Cash and cash equivalents-end of year	\$ 4,130,387	\$ -	\$ 4,130,387	\$ -	\$ 6,958,921	\$ -	\$ 6,958,921	\$ -
Cash paid for interest expense	\$ 362	\$ -	\$ 362	\$ -	\$ 1,141	\$ -	\$ 1,141	\$ -

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

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

1. History and Business Activity

The Sedgwick County Zoo (Zoo) is a public educational and recreational facility that is supported by three distinct entities as follows:

The Sedgwick County Zoological Society, Inc. (Society) was incorporated on February 20, 1963 as a tax-exempt not-for-profit corporation under Internal Revenue Code 501 (c)(3). The Society entered into an agreement with the Board of County Commissioners of Sedgwick County, Kansas, on August 18, 1967, which employs the Society as an agent of the County to plan, establish, manage, operate, and develop zoological gardens and exhibits. Monies secured by the Society from gifts, bequests, endowments, and the net income from the operation of the facility is to be expended by the Society in accordance with the objectives and purposes of the Society in the construction, operation, maintenance, and development of the Zoo. The Society updated its operating agreement with the County in April of 2017.

The Sedgwick County Zoological Foundation, Inc. (Foundation) is a not-for-profit organization that is exempt from income taxes under 501(c)(3) of the Internal Revenue Code. The Foundation was primarily formed to establish an endowment to support the operations of the Society.

Sedgwick County, Kansas (County), provided monies for the acquisition and construction of the initial physical facilities. Monies for the acquisition and construction were provided by the issuance of general obligation bonds of the County and contributions from the federal and state of Kansas governments. Further, the County provides monies annually for the maintenance and operation of the facility. Such expenditures are financed within the general fund, the capital reserve fund, and the park and recreation fund of Sedgwick County, Kansas. These financial statements only reflect assets, liabilities, net assets, revenues, and expenses attributed to operations of the Zoo. Assets transferred from the Society to the County were \$4,797,033 and \$6,853,707 for the years ended December 31, 2022 and 2021, respectively.

2. Summary of Significant Accounting Policies

Principles of combined statements

The combined financial statements include the accounts of the Sedgwick County Zoological Society, Inc., the Sedgwick County Zoological Foundation, Inc., and applicable funds from Sedgwick County, Kansas.

Basis of accounting

The financial statements of the Zoo are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly, reflect all significant receivables, payables, and other liabilities.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Classification of net assets

For financial reporting purposes, the Zoo follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of memberships, contributions without donor restriction, fees for service and related expenses associated with core activities of the Zoo.
- With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Zoo or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Cash and cash equivalents

For purposes of the statement of cash flows, the Zoo considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair market value and realized and unrealized gains and losses are recorded in the statement of activities.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for potentially uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. A valuation allowance for uncollectible amounts was not considered necessary at December 31, 2022 and 2021.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Pledges Receivable

When a donor has unconditionally promised to contribute funds to the Zoo in future periods, the Zoo recognizes a pledge receivable. Pledges expected to be collected within one year are recorded as support and a receivable at net realizable value. Pledges expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The allowance for uncollectible pledges is based on management's assessment of the collectability of specific donors' pledges and the aging of pledges receivable. All pledges or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible pledges. Changes to the allowance account are reflected as an adjustment to current year contributions.

Beneficial interest in remainder trusts and estates

The Zoo records the interest in remainder trusts and estates at fair value based upon fair value of the underlying assets and the estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values are reported as contributions in the accompanying financial statements.

Property and equipment

Property and equipment are carried at cost at date of acquisition. Buildings and improvements are depreciated over ten to fifty years and machinery and equipment over five to ten years. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals or betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments. Donated property assets are valued at fair market value at date of donation with a corresponding recognition of donated revenue.

Ownership of building and attached improvements financed by the Society reverts to the County. Consequently, such purchases by the Society are recorded as transfers to the County and the assets are capitalized by the County.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Revenue and revenue recognition

Contributions, including sponsorships, are recognized when the donor makes a promise to give to the Zoo that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Zoo recognizes revenue from admission sales at the time of admission. Admission for group events is recognized at the time of the event. Membership dues are comprised of an exchange element based on the value of benefits provided. Given seasonal fluctuations and historical information, obligations for memberships purchased prior to December are considered fulfilled by year-end. Memberships purchased in December are used throughout the remaining term in the subsequent year. The unearned revenue for memberships as of December 31, 2022 and 2021 is \$320,768 and \$273,084, respectively.

During 2021 and January 2022, gift shop sales were recognized at the point of sale. Beginning in February 2021, gift shop sales were outsourced to a third party vendor. Concession operations were outsourced for 2022 and 2021. Concessions and gift shop revenue is recognized as sales occur net of related fees for the third party administrator (Note 18). Revenue from gift certificates is recognized when redeemed.

The Zoo reports gifts of equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

In-kind contributions

The Zoo receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied. Contributions of donated non-cash assets are recorded at their fair values in the period received. The Zoo did not monetize (sell) any of the contributions received, other than some items that were received for fundraising events. Unless otherwise noted, the contributions did not have donor restrictions (see Note 16). Contributions of donated services that create or enhance nonfinancial assets or that required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Animals and other collections

The cost of animal acquisitions and income from sale of animals are included in operations. The other Zoo collections consist of statues and are acquired through purchases and contributions. The collection items are not recognized as assets on the statement of position; purchases of collection items reduce net assets in the period when purchased. The Zoo does not anticipate deaccessioning collection items in the near term. Proceeds from deaccessioned art objects are recorded as increases in net assets when received in the statement of activities. Funds received from deaccession of an art object are used for the Zoo's mission with the direction of the Board of Trustees. The Zoo did not make any purchases of items for the years ended December 31, 2022 and 2021, respectively.

Advertising costs

Advertising costs are expensed as they are incurred and are included in promotions expense. Advertising expense for the years ended December 31, 2022 and 2021 was \$449,116 and \$320,175, respectively.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

The Society and the Foundation are organized as Kansas nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The Society is qualified to receive deductible charitable contributions under Section 509(a)(2), and have been determined not to be private foundations under Sections 509(a)(1) and (3). The Foundation is an organization for the benefit of a publicly supported organization described in 509(a)(2). The Society and the Foundation are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Society and the Foundation are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Society has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Income taxes (continued)

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Each entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in operations if such interest and penalties are incurred. The related County funds are exempt from income taxes as part of a governmental entity.

The Zoo adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Zoo may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. At December 31, 2022 and 2021, there were no unrecognized tax benefits identified or recorded as assets or liabilities.

Functional allocation of expenses

The cost of providing the Zoo's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified specifically to program or support services are charged directly to that function. Costs common to multiple functions have been allocated among the various functions benefited based on time and effort.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Zoo.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Zoo generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the newsletter or donor acknowledgements contain requests for contributions, costs have been allocated to fundraising, program, and management and general functions.

Change in accounting principle

Leases

Effective January 1, 2022, the Zoo adopted ASU No. 2016-02, *Leases (Topic 842)* and has elected to apply the changes retrospectively at the beginning of the period of adoption. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are required to be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of activities.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Change in accounting principle (continued)

Leases (Continued)

Previously, leases were classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. The Zoo assessed its contracts under the terms of ASU and determined there was no impact to the Zoo's financial statements as a result of adoption.

Presentation and Disclosures for Contributed Nonfinancial Assets

Effective January 1, 2022, the Zoo adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard, which was applied retrospectively, did not have a material impact on the financial statements, with the exception of increased disclosure (see Note 16). In-kind contributions were reclassified in the statement of activities for the year ended December 31, 2021.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

3. Investments

Investments are stated at fair market value at December 31, 2022 and 2021, and consist of investments with a national brokerage firm. The fair values of individual investment securities were provided from the brokerage firm or financial institution which holds the security and are based upon quoted market prices in active markets and are publicly traded on national exchanges. The amortized cost and estimated fair market value of investments at December 31, 2022 and 2021 are as follows:

2022			
	<u>Fair Value</u>	<u>Cost</u>	<u>Appreciation (Loss)</u>
Money market accounts	\$ 361,718	\$ 361,772	\$ (54)
Common stocks	1,569,418	1,214,937	354,481
Mutual funds:			
Domestic equities	981,214	929,750	51,464
International equities	660,607	644,404	16,203
Fixed income	1,727,016	1,889,139	(162,123)
Alternative investments	265,153	284,038	(18,885)
Total	<u>\$ 5,565,126</u>	<u>\$ 5,324,040</u>	<u>\$ 241,086</u>
2021			
	<u>Fair Value</u>	<u>Cost</u>	<u>Appreciation (Loss)</u>
Money market accounts	\$ 120,540	\$ 120,540	\$ -
Common stocks	2,078,896	1,259,400	819,496
Mutual funds:			
Domestic equities	1,086,107	778,195	307,912
International equities	715,996	539,462	176,534
Fixed income investments	1,803,615	1,734,210	69,405
Alternative investments	562,015	520,627	41,388
Total	<u>\$ 6,367,169</u>	<u>\$ 4,952,434</u>	<u>\$ 1,414,735</u>

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

3. Investments (Continued)

Investment securities in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near-term and those changes could materially affect the amounts reported in the statement of financial position.

The following schedule summarizes the investment return on investments and its classification in the statement of activities for the year ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Total interest and dividend income from all sources	\$ 119,515	\$ 100,037
Realized and unrealized gain/(loss) on investments	(1,104,482)	521,319
Capital gain distributions	10,938	108,006
Management fees	<u>(24,499)</u>	<u>(25,161)</u>
Net investment income (loss) per Statements of Activities	<u><u>\$ (998,528)</u></u>	<u><u>\$ 704,201</u></u>
Net investment income per Statements of Activities		
Without donor restrictions	\$ (994,891)	\$ 701,915
With donor restrictions	<u>(3,637)</u>	<u>2,286</u>
	<u><u>\$ (998,528)</u></u>	<u><u>\$ 704,201</u></u>

4. Fair Value Investments

Generally accepted accounting principles (GAAP) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

4. Fair Value Investments (Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

		Fair Value Measurements Using		
		Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
December 31, 2022				
Investments				
Money market accounts	\$ 361,718	\$ 361,718	\$ -	\$ -
Common stocks	1,569,418	1,569,418	-	-
Mutual funds:				
Domestic equities	981,214	981,214	-	-
International equities	660,607	660,607	-	-
Fixed income investments	1,727,016	1,727,016	-	-
Alternative investments	265,153	265,153	-	-
	<u>5,565,126</u>	<u>\$ 5,565,126</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (NAV):				
Beneficial interest-remainder trust and estates	1,023,867			
	<u>\$ 6,588,993</u>			
December 31, 2021				
Investments				
Money market accounts	\$ 120,540	\$ 120,540	\$ -	\$ -
Common stocks	2,078,896	2,078,896	-	-
Mutual funds:				
Domestic equities	1,086,107	1,086,107	-	-
International equities	715,996	715,996	-	-
Fixed income investments	1,803,615	1,803,615	-	-
Alternative investments	562,015	562,015	-	-
	<u>6,367,169</u>	<u>\$ 6,367,169</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (NAV):				
Beneficial interest-remainder trust and estates	1,315,457			
	<u>\$ 7,682,626</u>			

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

4. Fair Value Investments (Continued)

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of December 31, 2022 and 2021, respectively:

<u>December 31, 2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Beneficial interest-remainder trust and estates	\$ 1,023,867	\$ -	See Note 7	See Note 7

<u>December 31, 2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Beneficial interest-remainder trust and estates	\$ 1,315,457	\$ -	See Note 7	See Note 7

5. Pledges Receivable

Pledges receivable consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	167,448	\$ 714,286
Receivable in one to five years	126,000	568,948
Total pledges receivable	293,448	1,283,234
Less:		
Pledge receivable discount	-	(20,409)
Net pledges receivable	<u>\$ 293,448</u>	<u>\$ 1,262,825</u>

An imputed discount rate of 3% was used in discounting long-term pledges receivable at December 31, 2021. The unrecorded discount at December 31, 2022 was considered immaterial. Pledges are reflected on the accompanying statement of financial position in the following categories at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current assets	\$ 167,448	\$ 714,286
Other assets	126,000	548,539
Net pledges receivable	<u>\$ 293,448</u>	<u>\$ 1,262,825</u>

Pledges were restricted in use for costs associated with the new entrance complex and leopard exhibit at December 31, 2022 and 2021.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

6. Funds Held by Foundation

The Wichita Community Foundation is holding funds designated for the Foundation, which are not controlled by the Foundation. The Wichita Community Foundation administers and manages the investment fund. The Zoo recognizes all distributions from the Wichita Community Foundation as contribution revenue. The total value of the funds held by the Foundation for the benefit of the Zoo were \$269,856 and \$326,023 as of December 31, 2022 and 2021, respectively.

7. Beneficial Interest in Remainder Trusts and Estates

Under the terms of various remainder trusts and estates, the Zoo has been designated as a beneficiary. Certain trusts provide for annual distributions to the Zoo based upon the annual income within the trust while others provide for a percentage of the trust to be remitted to the Zoo upon the donor's death. The Zoo has also been periodically identified as a beneficiary in a donor's estate.

The balance of beneficial interest in remainder trusts and estates at December 31, 2022 and 2021 was \$1,023,867 and \$1,315,457, respectively.

8. Unearned Income

The following table provides information about significant changes in the unearned income for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unearned income, beginning of year	\$ 300,980	\$ 19,797
Revenue recognized that was included in deferred at the beginning of the year for:		
Group events	(2,541)	(3,700)
Gift certificates	(15,355)	(16,097)
Grant revenue	(10,000)	-
Memberships	(273,084)	-
Increase in deferred revenue due to cash received during the period for:		
Group events	-	2,541
Gift certificates	23,207	15,355
Grant revenue	12,036	10,000
Memberships	320,768	273,084
Unearned income, end of year	<u><u>\$ 356,011</u></u>	<u><u>\$ 300,980</u></u>

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

9. Note payable-Sedgwick County

In 2007, the Society entered into a loan agreement with Sedgwick County whereby the Society could borrow up to \$2,400,000 to finance the construction of a restaurant. Construction of the restaurant was completed in 2008.

The original loan agreement had an initial interest rate of 5.23% and was adjusted annually to the 1-year U.S. Treasury bill rate, plus 25 basis points. The Society was required to repay 10% of the original loan amount, plus interest on an annual basis in April of each year.

In 2013, the Society renegotiated the repayment terms of the loan with Sedgwick County. The payments were deferred until April 1, 2021. No interest was accrued on the outstanding principal amount of the loan between April 1, 2013 and April 1, 2018. No interest was accrued on outstanding principal amount of the loan between April 1, 2020 and March 31, 2021 due to COVID-19.

The note payable is reflected on the accompanying statements of financial position in the following categories at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current liabilities	\$ -	\$ 234,011
Long term liabilities	-	234,011
Note payable-Sedgwick County	<u>\$ -</u>	<u>\$ 468,022</u>

As of December 31, 2022, the note payable had been paid in full to Sedgwick County.

10. Paycheck Protection Program Loan

The Society applied for and was approved for a loan of \$302,600 and \$408,862 during the year ended December 31, 2021 and 2020, respectively, under the Paycheck Protection Program (“PPP”) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The PPP funds were used to pay covered expenses including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Society. During the year ended December 31, 2021, the Society applied for and received forgiveness for both the loans. The Society recorded the PPP Loan as debt and recognized a gain on extinguishment when the Society had been legally released as the primary obligor through forgiveness approval from the lender, which is reflected in the statements of activities.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

11. Shuttered Venue Operators Grant

The Zoo received a Shuttered Venue Operators Grant (SVOG) of \$2,425,365 on July 16, 2021. The Shuttered Venue Operators Grant program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, signed into law on December 27, 2020. Grant funds may be used for payroll costs, rent payments, utility payments, equipment, scheduled debt payments, payments to independent contractors and other ordinary and necessary business expenses. The Organization recognized the initial grant award of \$2,425,365 during the year ended December 31, 2021 as allowable expenses were incurred. This is reflected in the statements of activities as donations and grants.

12. Net Assets without Donor Restrictions

During the year ended December 31, 2022 and 2021, net assets without restrictions are for the following purposes:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 53,718,421	\$ 48,590,683
Board designated - Infrastructure & capital	<u>632,949</u>	<u>2,289,436</u>
Total net assets without donor restrictions	<u><u>\$ 54,351,370</u></u>	<u><u>\$ 50,880,119</u></u>

13. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 are designated for the following purposes:

	<u>2022</u>	<u>2021</u>
Endowment	\$ 591,447	\$ 595,084
Elephant exhibit	299,347	314,136
Winter fund	190,928	184,024
Bequests - timing restrictions	7,715	17,089
Zookeeper training	40,013	36,926
Entrance complex	278,824	313,962
Leopard exhibit	31,657	109,020
Train	<u>3,135</u>	<u>3,400,746</u>
Total net assets with donor restrictions	<u><u>\$ 1,443,066</u></u>	<u><u>\$ 4,970,987</u></u>

Based upon various original donor designations, earnings from the invested principal of \$385,196 are not donor restricted.

Based upon the donor designation of one particular contribution with an original amount of \$200,000, 90% of the earnings on the invested principal are restricted for the use of zoo animal exhibits that do not bear the name of an organization or an individual. The remaining 10% of earnings associated with this gift are accumulated as part of the donor-restricted endowment fund. Accumulated donor restricted net assets associated with this contribution are \$206,251 and \$209,888 at December 31, 2022 and 2021, respectively.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

14. Endowment

The Zoo established the Foundation to assist in the management of donor restricted net assets, and to provide an opportunity to internally designate funds to provide for long term benefit of the Zoo. The Zoo has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original fair value of gifts donated to the endowment, (b) the original fair value of subsequent gifts donated to the endowment, and (c) accumulations to the endowment made in accordance with the instructions of the applicable donor gift instrument at the time the accumulation is added to the fund. The earnings of the donor restricted endowment fund are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies. As stated in Note 13, the Foundation's donors have placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that provide for periodic funding of operating activities supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The Foundation targets a diversified asset allocation that places an emphasis on equity and fixed income funds to achieve its long-term return objectives within prudent risk parameters. Withdrawals from the endowment fund to support operating activities are based upon the discretion of the Board of Trustees. The Foundation is separately stated on the Statements of Financial Position and Statements of Activities.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

14. Endowment (Continued)

The changes in the endowment net assets, which comprise the Foundation are as follows, for the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2020	\$ 5,071,869	\$ 592,798	\$ 5,664,667
Investment return:			
Interest and dividends	95,958	-	95,958
Realized and unrealized gain/(loss) on investments	521,413	2,286	523,699
Capital gain distributions	108,006	-	108,006
Management fees	(25,161)	-	(25,161)
Total investment return	<u>700,216</u>	<u>2,286</u>	<u>702,502</u>
Endowment net assets, December 31, 2021	\$ 5,772,085	\$ 595,084	\$ 6,367,169
Investment return:			
Interest and dividends	114,790	-	114,790
Realized and unrealized gain/(loss) on investments	(1,097,769)	(3,637)	(1,101,406)
Capital gain distributions	10,938	-	10,938
Management fees	(24,499)	-	(24,499)
Total investment return	<u>(996,540)</u>	<u>(3,637)</u>	<u>(1,000,177)</u>
Endowment net assets, December 31, 2022	<u>\$ 4,775,545</u>	<u>\$ 591,447</u>	<u>\$ 5,366,992</u>

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

15. Financial Assets and Liquidity Resources

The following schedule reflects the Zoo's financial assets available for general expenditure as of December 31, 2022 and 2021, reduced by amounts that are not available for general use due to donor-imposed and board designated restrictions within one year of the statement of financial position date:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 4,130,387	\$ 6,958,921
Investments	5,565,126	6,367,169
Accounts receivable	367,553	246,918
Grant receivable	96,209	-
Pledges receivable	293,448	1,262,825
	<u>10,452,723</u>	<u>14,835,833</u>
Less those unavailable for general expenditures		
within one year, due to:		
Board designated for infrastructure & capital	632,949	2,289,436
Restricted by donor with purpose restrictions		
Endowment	591,447	595,084
Elephant exhibit	299,347	314,136
Winter fund	190,928	184,024
Bequests - timing restrictions	7,715	17,089
Zookeeper training	40,013	36,926
Entrance complex	278,824	313,962
Leopard Exhibit	31,657	109,020
Train	3,135	3,400,746
Total financial assets with donor restrictions	<u>1,443,066</u>	<u>4,970,987</u>
Total financial assets available to meet cash needs for		
general purpose expenditures within one year	<u><u>\$ 8,376,708</u></u>	<u><u>\$ 7,575,410</u></u>

As part of the Zoo's liquidity plan, the financial assets are structured to be available as general expenditures, liabilities, and other obligations become due. The accounts and grant receivable is expected to be collected within the year and pledges receivable are expected to be collected over a period of time as described in Note 5. In the event of liquidity need, the Zoo may utilize its investment reserves.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

16. In-kind Contributions

In-kind contributions that are used for program activities and reflected in the financial statements consist of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 14,847	\$ 54,369
Equipment	3,850	44,075
Food & beverage	16,386	16,706
Supplies	1,116	1,094
Plants	41,150	72,015
Silent auction items	164,598	129,447
Total donated goods and services	<u>241,947</u>	<u>317,706</u>
Donated equipment capitalized	24,000	-
Total donated in-kind support	<u><u>\$ 265,947</u></u>	<u><u>\$ 317,706</u></u>

Donated advertising includes promotional items and other program-specific costs related to advertising of events provided by donors to help defray the costs of those goods that would otherwise have been purchased.

Donated equipment, food & beverage, supplies, and plants include equipment, supplies, plants, and food & beverage needed for either events held by the Zoo or program-specific costs provided by donors to help defray the cost of these goods that would have otherwise been purchased.

Donated silent auction items generally include items provided by donors to be used in the silent auction during Zoobilee. These items would have otherwise needed to be purchased if not provided by the donor.

The above items are reported at estimated fair value based on current market rates for identical or similar items as determined by the donor. All donated goods and services for the years ended December 31, 2022 and 2021 were considered unrestricted and utilized during the year for program-related activities or events held by the Zoo.

Donated equipment includes gifts of long-lived assets received from donors for use in the Zoo's program and administrative activities. These assets would have otherwise needed to be purchased if not provided by the donor.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

16. In-kind Contributions (Continued)

A substantial number of volunteers have made significant contributions of their time to various functions of the Zoo. During 2022 and 2021, respectively, these volunteers contributed 15,978 and 11,657 hours of time valued at \$239,671 and \$174,852, which is equivalent to 7 and 5 full time employees for years ended December 31, 2022 and 2021, respectively. The Zoo used an internally generated value of \$15.00 per hour for the years ended December 31, 2022 and 2021. The value of these services has not been recorded in the financial statements.

Board members also contribute a significant amount of time in fundraising activities. The Zoo has determined it is not practical to estimate fair value for these services.

17. Retirement Plans

Society

The Society offers a SIMPLE (savings incentive match plans for employees) plan under Section 408(p) of the Internal Revenue Code. The plan covers all employees who are currently receiving compensation and have received at least \$5,000 in compensation during any two preceding calendar years. The Society is required to match the employees' elective contribution in an amount not to exceed 3% of the employees' compensation. However, the Society may elect to limit the match, for all eligible employees, to a smaller percentage of compensation, but not less than 1%. The Society's contribution for the years ended December 31, 2022 and 2021 was \$23,999 and \$28,278, respectively.

County

Plan Description

The County participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financials statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

17. Retirement Plans (Continued)

Contributions

K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate does not include the contribution rate for Death and Disability Program. For the year ended December 31, 2022, the contribution rate for the Death and Disability Program was 1% with a six-month moratorium. For the year ended December 31, 2021, the contribution rate for the Death and Disability Program was 1% with a six-month moratorium. The statutory contribution rate for retirement was 8.90% and 8.87% for the years ended December 31, 2022 and 2021, respectively. Contributions to the pension plan from the County were \$415,602 and \$379,439 for the years ended December 31, 2022 and 2021, respectively.

18. Outsourced Operations

The Zoo has an agreement with a third party granting the exclusive right to operate and manage the food and beverage, gift shop sales, admissions and membership services within the Zoo. The Zoo receives a monthly commission for the food and beverage, and gift shop sales ranging from 12%-30%, depending on sales for the period. The Zoo receives a weekly commission of 87.5% of the admissions and memberships. As part of the agreement, the concessionaire commits to investment in capital improvements that the concessionaire owns and amortizes over a ten year period. Upon expiration or termination of the agreement, the Zoo will purchase improvements at the remaining net book value.

19. Concentration of Credit Risk

The Zoo maintains cash accounts at local banks, some of which retains a balance of more than the maximum federally insured amount of \$250,000. The Zoo has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash accounts.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2022 and 2021

20. Subsequent Events

Subsequent events were evaluated through July 25, 2023, which is the date the financial statements were available to be issued.

EL DORADO	117 W. CENTRAL AVE	EL DORADO, KS 67042-0847	316-321-1150
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
TULSA	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-494-8700
WAGONER	509 S. MCQUARRIE AVE	WAGONER, OK 74467-6223	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335