

NASHVILLE ZOO INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

And Report of Independent Auditor

NASHVILLE ZOO INC.
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Report of Independent Auditor

To the Board of Directors
Nashville Zoo Inc.
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Nashville Zoo Inc. (the “Organization”) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Organization 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the 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 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Cherry Bekaert LLP

Nashville, Tennessee
April 13, 2023

NASHVILLE ZOO INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 35,774,647	\$ 41,726,308
Contributions receivable, net	180,833	5,321,347
Prepaid expenses and other assets	<u>866,117</u>	<u>665,237</u>
Total Current Assets	36,821,597	47,712,892
Contributions receivable, net of current portion	155,076	75,428
Prepaid membership	65,330	41,047
Investments	33,442,018	30,902,798
Construction in progress (including in-kind of \$63,632 and \$-0-, respectively)	20,674,550	8,101,997
Property and equipment, net	<u>64,637,488</u>	<u>59,895,149</u>
Total Assets	<u><u>\$ 155,796,059</u></u>	<u><u>\$ 146,729,311</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,060,308	\$ 1,588,247
Deferred revenue	3,212,243	2,946,108
Deferred revenue, concessionaire	<u>234,801</u>	<u>234,802</u>
Total Current Liabilities	7,507,352	4,769,157
Deferred revenue, concessionaire, net of current portion	<u>1,492,077</u>	<u>1,726,877</u>
Total Liabilities	<u>8,999,429</u>	<u>6,496,034</u>
Net Assets:		
Without donor restrictions	108,370,890	99,569,798
With donor restrictions	<u>38,425,740</u>	<u>40,663,479</u>
Total Net Assets	146,796,630	140,233,277
Total Liabilities and Net Assets	<u><u>\$ 155,796,059</u></u>	<u><u>\$ 146,729,311</u></u>

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

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions	\$ 1,268,914	\$ 7,653,842	\$ 8,922,756
Gate admissions	8,927,157	-	8,927,157
Park income and events	8,241,978	-	8,241,978
Memberships	5,368,261	-	5,368,261
Special events	4,610,272	-	4,610,272
Grants	289,325	71,500	360,825
Other	752,447	-	752,447
Education	473,946	-	473,946
In-kind contributions	132,007	-	132,007
Investment return, net	(1,930,644)	-	(1,930,644)
Total Public Support and Revenues	28,133,663	7,725,342	35,859,005
Net assets released from restrictions	9,963,081	(9,963,081)	-
	<u>38,096,744</u>	<u>(2,237,739)</u>	<u>35,859,005</u>
Expenses:			
Program	23,231,658	-	23,231,658
Management and general	2,510,063	-	2,510,063
Fundraising	3,553,931	-	3,553,931
Total Expenses	<u>29,295,652</u>	<u>-</u>	<u>29,295,652</u>
Change in net assets	8,801,092	(2,237,739)	6,563,353
Net assets, beginning of year	<u>99,569,798</u>	<u>40,663,479</u>	<u>140,233,277</u>
Net assets, end of year	<u>\$ 108,370,890</u>	<u>\$ 38,425,740</u>	<u>\$ 146,796,630</u>

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

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions	\$ 1,479,203	\$ 11,170,504	\$ 12,649,707
Gate admissions	8,373,437	-	8,373,437
Park income and events	6,262,290	-	6,262,290
Memberships	4,320,783	-	4,320,783
Special events	1,929,552	-	1,929,552
Grants	12,116,986	450,000	12,566,986
Other	495,845	-	495,845
In-kind contributions	372,634	-	372,634
Education	273,949	-	273,949
Investment return, net	3,835,530	-	3,835,530
Total Public Support and Revenues	39,460,209	11,620,504	51,080,713
Net assets released from restrictions	3,486,485	(3,486,485)	-
	42,946,694	8,134,019	51,080,713
Expenses:			
Program	16,857,860	-	16,857,860
Management and general	2,676,180	-	2,676,180
Fundraising	2,214,232	-	2,214,232
Total Expenses	21,748,272	-	21,748,272
Change in net assets	21,198,422	8,134,019	29,332,441
Net assets, beginning of year	78,371,376	32,529,460	110,900,836
Net assets, end of year	\$ 99,569,798	\$ 40,663,479	\$ 140,233,277

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

NASHVILLE ZOO INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 8,956,318	\$ 1,295,419	\$ 1,341,649	\$ 11,593,386
Depreciation	4,790,650	-	-	4,790,650
Benefits	1,696,238	239,836	248,394	2,184,468
Repairs and maintenance	1,942,004	19,256	213,071	2,174,331
Animal care	1,367,910	472	-	1,368,382
Office supplies (including in-kind of \$4,060)	355,479	53,603	781,467	1,190,549
Utilities	1,157,602	651	-	1,158,253
Conference, convention and meetings	35,960	7,020	836,751	879,731
Conservation	810,526	-	342	810,868
Advertising and promotion	805,779	-	4,588	810,367
Bank and investment fees	-	527,260	52,270	579,530
Information Technology	572,212	3,427	-	575,639
Other (including in-kind of \$64,315)	176,708	281,982	6,829	465,519
Insurance	340,726	-	-	340,726
Park services	94,767	-	-	94,767
Dues and subscriptions	64,695	10,975	17,176	92,846
Travel expenses	21,256	35,179	7,209	63,644
Donor development	785	3,175	43,522	47,482
Grants awarded	37,665	-	-	37,665
Business licenses and permits	4,378	29,474	-	33,852
Bad debt expense	-	2,100	663	2,763
Taxes	-	234	-	234
	<u>\$ 23,231,658</u>	<u>\$ 2,510,063</u>	<u>\$ 3,553,931</u>	<u>\$ 29,295,652</u>

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

NASHVILLE ZOO INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 6,081,683	\$ 1,541,319	\$ 1,095,517	\$ 8,718,519
Depreciation	4,371,148	-	-	4,371,148
Benefits	1,064,936	452,008	188,753	1,705,697
Repairs and maintenance (including in-kind of \$34,112)	1,127,840	25,187	87,398	1,240,425
Utilities	924,203	1,039	-	925,242
Animal care (including in-kind of \$2,952)	870,905	-	-	870,905
Office supplies (including in-kind of \$327,500)	561,316	12,087	262,060	835,463
Conservation	682,740	-	-	682,740
Conference, convention and meetings	19,867	42,773	476,945	539,585
Information technology	419,352	64,231	-	483,583
Bank and investment fees	2	369,041	80,706	449,749
Advertising and promotion	272,532	-	3,607	276,139
Insurance	263,669	-	-	263,669
Other (including in-kind of \$8,070)	32,879	116,691	3,113	152,683
Park services	83,717	56	-	83,773
Dues and subscriptions	59,561	6,450	2,083	68,094
Travel expenses	3,015	25,421	80	28,516
Business licenses and permits	4,073	19,097	-	23,170
Donor development	-	780	13,970	14,750
Grants awarded	14,422	-	-	14,422
	<u>\$ 16,857,860</u>	<u>\$ 2,676,180</u>	<u>\$ 2,214,232</u>	<u>\$ 21,748,272</u>

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

NASHVILLE ZOO INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 6,563,353	\$ 29,332,441
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,790,650	4,371,148
Contribution of land to Metro (Note 10)	200,000	-
Realized and unrealized loss (gain) on investments	2,869,091	(2,792,089)
Discount on contributions receivable	(81)	(238,369)
Contributions restricted for long-term purposes	(272,900)	(373,013)
Receipt of donated stock	(4,872,435)	(5,397,892)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(200,880)	(112,470)
Prepaid membership	(24,283)	6,532
Accounts payable and accrued expenses	766,041	387,098
Deferred revenue	31,334	430,922
Net cash flows from operating activities	<u>9,849,890</u>	<u>25,614,308</u>
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(20,599,522)	(6,241,943)
Purchases of investments	(2,220,292)	(9,442,119)
Sales of investments	1,684,416	8,659,391
Net cash flows from investing activities	<u>(21,135,398)</u>	<u>(7,024,671)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	5,333,847	508,533
Net cash flows from financing activities	<u>5,333,847</u>	<u>508,533</u>
Change in cash and cash equivalents	(5,951,661)	19,098,170
Cash and cash equivalents, beginning of year	41,726,308	22,628,138
Cash and cash equivalents, end of year	<u>\$ 35,774,647</u>	<u>\$ 41,726,308</u>
Supplemental schedule of noncash investing and financing activities:		
Receipt of donated stock	<u>\$ 4,872,435</u>	<u>\$ 5,397,892</u>
Purchases of construction in progress financed through accounts payable and accrued expenses	<u>\$ 1,706,020</u>	<u>\$ -</u>

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

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 1—Nature of organization and summary of significant accounting policies

Nashville Zoo Inc. (the "Organization") was chartered in November 1989 as a Tennessee nonprofit corporation. The Organization's mission is to inspire a culture of understanding and discovery of our natural world through conservation, innovation, and leadership. During March 2004, the Organization was granted accreditation by the Association of Zoos and Aquariums ("AZA"), assuring that the Organization meets the highest standards of animal care and husbandry. This accreditation makes the Organization eligible for funding and grants from certain foundations, corporations, and other sources. The Organization is required to apply for accreditation every five years and was awarded accreditation most recently in March 2019.

The Organization receives funding from private contributions, government grants, park income, events and special events, program fees, and admissions. The Organization's significant accounting policies are as follows:

Financial Statement Presentation – In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition, Accounts Receivable, Allowance for Doubtful Accounts, and Deferred Revenue – See Note 2.

Contributions – In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for nonprofit organizations, contributions, and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as increases in net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions are recognized when the specified donor conditions have been met.

In-Kind Contributions – The Organization records various types of in-kind support including contributed materials, equipment, and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The value of animals borrowed from other organizations or individuals is generally not included in revenue or expense since no objective basis is available to measure such donation. In addition, the Organization receives a significant amount of contributed services not meeting the criteria for recognition.

Animal Collection – Purchases of the Organization's animal collection are accounted for as an expense in the period acquired. Proceeds, if any, from the sale of any animals are accounted for as revenue in the period sold. No cost is assigned to animals born at the Organization.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 1—Nature of organization and summary of significant accounting policies (continued)

Cash and Cash Equivalents – The Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Property and Equipment – Property and equipment are recorded at cost and are depreciated over their estimated useful lives using a straight-line method. Estimated useful lives of major classes of property and equipment are as follows:

Buildings, exhibits, and improvements	5-40 years
Equipment	3-10 years
Vehicles	3-8 years

Review of Carrying Value of Property, Equipment and Construction in Progress for Impairment – The Organization reviews the carrying value of property and equipment and construction in process for impairment whenever events and circumstances indicate that the carrying value of the assets may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, construction variables and other economic factors. There was no impairment at December 31, 2022 and 2021.

Functional Expenses – The cost of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While most costs have been directly assigned to a functional category, certain salaries and wages have been allocated to program, management and general, and fundraising based on time and effort estimates made by management.

Advertising Costs – Advertising costs are generally expensed as incurred. Advertising and promotion expenses totaled \$810,367 and \$276,139 during 2022 and 2021, respectively.

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization follows FASB ASC guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no significant tax penalties or interest reported in the accompanying financial statements.

Restricted Endowment Funds – The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 1—Nature of organization and summary of significant accounting policies (continued)

Estimates – The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements – In February 2016, FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases are to be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard is effective for the fiscal year ended December 31, 2022. The Organization adopted this ASUs effective January 1, 2022 using the modified retrospective approach. Since the Organization’s leases subject to ASC 842 are deemed immaterial, adoption of the new standard did not impact the Organization’s 2022 financial statements. (see Note 12.)

In September 2020, FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ended December 31, 2022 and had an immaterial effect on the Organization’s financial statements upon adoption. When received, such items have been recorded at market value and are used for operations. There have been no donor restrictions placed on such contributions.

Note 2—Revenue

The Organization follows FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The contract obligation for gate admissions, park income and events revenue, and education revenue is generally satisfied at the time these services are provided or when a good is transferred to the customer. The contract performance obligation for memberships and special event sponsorships is performed over the membership or contract period.

The Organization also recognizes commission revenues for sales of food, concessions, and products sold in the gift shop under agreements with its third party concessionaire, generally on a monthly basis. In addition to commission revenue, the Organization also may receive one-time payments from the concessionaire for infrastructure build out. Such payments are recognized ratably over the related concession agreement (see Note 14).

Grants received from governmental agencies are generally recognized as related costs are incurred.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2—Revenue (continued)

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying statements of financial position totaled \$4,939,121 and \$4,907,787 as of December 31, 2022 and 2021, respectively. Deferred revenue represents income from membership dues, event fees, concession agreements and gift certificates. These are deferred when received and amortized over the terms of the membership or contract period. Other income is derived from rental of the Organization's campus for weddings, corporate events, and similar activities or for special events. Revenues received in advance are deferred and recognized in the period the related event takes place. The deferred income related to gift certificates is recognized when redeemed.

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2022:

	Membership Dues	Gift Certificates	Concessionaire	Other	Total
Deferred revenue, beginning of year	\$ 2,036,820	\$ 753,168	\$ 1,961,679	\$ 156,120	\$ 4,907,787
Revenue recognized that was included in deferred revenue at the beginning of year	(2,036,820)	(338,890)	(234,801)	(111,003)	(2,721,514)
Increase in deferred revenue due to cash received during the year	2,235,451	476,463	-	40,934	2,752,848
Deferred revenue, end of year	<u>\$ 2,235,451</u>	<u>\$ 890,741</u>	<u>\$ 1,726,878</u>	<u>\$ 86,051</u>	<u>\$ 4,939,121</u>

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2021:

	Membership Dues	Gift Certificates	Concessionaire	Other	Total
Deferred revenue, beginning of year	\$ 1,601,724	\$ 536,782	\$ 2,196,481	\$ 141,878	\$ 4,476,865
Revenue recognized that was included in deferred revenue at the beginning of year	(604,682)	(244,996)	(234,802)	(92,920)	(1,177,400)
Increase in deferred revenue due to cash received during the year	1,039,778	461,382	-	107,162	1,608,322
Deferred revenue, end of year	<u>\$ 2,036,820</u>	<u>\$ 753,168</u>	<u>\$ 1,961,679</u>	<u>\$ 156,120</u>	<u>\$ 4,907,787</u>

Note 3—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 3—Liquidity and availability of resources (continued)

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

	2022	2021
Financial assets:		
Cash and equivalents	\$ 35,774,647	\$ 41,726,308
Contributions receivable, net, current portion	180,833	5,321,347
Less amounts not available to be used within one year:		
Donor-restricted cash and cash equivalents	(16,566,213)	(18,619,495)
Contributions receivable with donor restrictions	(180,833)	(5,321,347)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 19,208,434</u>	<u>\$ 23,106,813</u>

The Organization's endowment funds consist of donor-restricted funds. Generally, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes. Donor-restricted endowment funds are not available for general expenditure (see Note 9).

Note 4—Contributions receivable

Unconditional promises to give are due from individuals, foundations, and corporations located in the Middle Tennessee area and are as follows at December 31:

	2022	2021
Contributions receivable	\$ 340,833	\$ 5,474,680
Less allowance for bad debts	(2,100)	(75,000)
Less discount on contributions receivable	(2,824)	(2,905)
Net contributions receivable	<u>\$ 335,909</u>	<u>\$ 5,396,775</u>

The discount rate used to determine the present value of contributions receivable was 1.75% and 2% at December 31, 2022 and 2021, respectively. Balances of contributions receivable in less than one year are considered to approximate fair value.

Contributions receivable are scheduled to be received as follows at December 31, 2022:

Receivable in less than one year, net	\$ 180,833
Receivable in one to five years, net	155,076
	<u>\$ 335,909</u>

Contributions receivable are considered for collectability and an allowance for doubtful accounts has been provided. Additionally, 59% and 96% of the Organization's contributions receivable at December 31, 2022 and 2021, respectively, was due from one donor.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5—Fair value measurements

The Organization follows the fair value measurement topic of FASB ASC 820, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are developed based on the best information available in the circumstances. The reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in valuation methodologies during 2022 or 2021.

A description of the valuation methodologies used for assets measured at fair value is as follows:

Mutual Funds – Valued based upon independent third party pricing for the majority of fund holdings. Independent third party pricing sources are used to price all security positions for which a readily determinable market price is available. Securities for which third party pricing sources are not available are priced on a "fair value" basis as determined by the fund's management.

Private Equity and Real Estate Funds – Valued at prices quoted by various inactive markets and/or independent financial analysts.

Hedge Funds – The Organization invests in funds that use derivative financial instruments to hedge against adverse changes in interest rates and foreign exchange rates. The underlying investments of the derivative funds are valued by the custodian based on the last, prior sales price on the principal board of trade or other contracts market or by quotations from the contra party bank.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5—Fair value measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables summarize the Organization's major categories of assets measured at fair value on a recurring basis on the statements of financial position, by the ASC 820 valuation hierarchy (as described above), as of December 31, 2022 and 2021, respectively:

	2022			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 3,013,258	\$ -	\$ -	\$ 3,013,258
Mutual Funds:				
Public Equity:				
Large cap U.S. equity	18,745,825	-	-	18,745,825
International equity	1,962,586	-	-	1,962,586
Small/mid cap value fund	1,976,568	-	-	1,976,568
Total Public Equity	22,684,979	-	-	22,684,979
Fixed Income:				
Intermediate term	5,158,215	-	-	5,158,215
Total Fixed Income	5,158,215	-	-	5,158,215
Other Investments:				
Private equity	-	-	2,261,107	2,261,107
Private real estate	-	-	324,459	324,459
Total Other Investments	-	-	2,585,566	2,585,566
	\$ 30,856,452	\$ -	\$ 2,585,566	\$ 33,442,018

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5—Fair value measurements (continued)

	2021		
	Level 1	Level 2	Level 3
	Total		
Money Market Funds	\$ 343,290	\$ -	\$ -
Mutual Funds:			
Public Equity:			
Large cap U.S. equity	16,478,609	-	-
International equity	2,906,263	-	-
Small/mid cap growth fund	431,420	-	-
Small/mid cap value fund	3,246,025	-	-
Other	754,669	-	-
Total Public Equity	23,816,986	-	-
Fixed Income:			
Intermediate term	3,506,206	-	-
Total Fixed Income	3,506,206	-	-
Other Investments:			
Private equity	-	-	1,951,086
Hedge and low volatility strategies	-	-	927,135
Private real estate	-	-	358,095
Total Other Investments	-	-	3,236,316
	\$ 27,666,482	\$ -	\$ 3,236,316
	\$ 30,902,798		

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5—Fair value measurements (continued)

The following table provides a summary of changes in investments shown as Level 3 within the fair value hierarchy for the years ended at December 31, 2022 and 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Hedge Funds	Private Equity/ Private Real Estate	Total
Balance at December 31, 2020	\$ 841,977	\$ 2,045,547	\$ 2,887,524
Realized gains	-	16,897	16,897
Unrealized gains relating to instruments still held at the reporting date	85,158	539,890	625,048
Purchases	-	189,112	189,112
Sales	-	(482,265)	(482,265)
Balance at December 31, 2021	927,135	2,309,181	3,236,316
Realized gains	-	49,520	49,520
Unrealized gains relating to instruments still held at the reporting date	-	515,840	515,840
Purchases	-	30,000	30,000
Sales	(927,135)	(318,975)	(1,246,110)
Balance at December 31, 2022	\$ -	\$ 2,585,566	\$ 2,585,566

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements:

The Organization's Level 3 investments have been valued using the net asset value of investments or its equivalent. No unobservable inputs internally developed by the Organization have been applied to these investments. Therefore, the table disclosing the valuation techniques used to measure the fair value of those investments and the significant unobservable inputs has been excluded.

At December 31, 2022 and 2021, the Organization's investments held for endowment purposes totaled \$21,548,533 and \$24,256,820, respectively, and investments held for unrestricted purposes totaled \$11,893,485 and \$6,645,978, respectively.

The Organization has adopted certain asset allocation policies relating to its investments which are included in its investment policy and monitored with its investment managers at least annually.

The following schedule summarizes the investment returns for the years ended December 31:

	2022	2021
Interest and dividends	\$ 938,447	\$ 1,043,441
Realized and unrealized (loss) gain, net	(2,869,091)	2,792,089
Investment return, net	\$ (1,930,644)	\$ 3,835,530

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 6—Property and equipment

Property and equipment are summarized as follows at December 31:

	2022	2021
Buildings, exhibits, and improvements	\$ 102,776,274	\$ 94,685,648
Land	655,253	200,000
Equipment	5,919,990	5,512,154
Vehicles	1,562,400	983,125
	<u>110,913,917</u>	<u>101,380,927</u>
Less accumulated depreciation	<u>(46,276,429)</u>	<u>(41,485,778)</u>
Net property and equipment	<u><u>\$ 64,637,488</u></u>	<u><u>\$ 59,895,149</u></u>

Construction in progress at December 31, 2022 and 2021 represents ongoing construction of various animal exhibits and infrastructure as follows:

	2022	2021
Animal exhibits	\$ 9,367,100	\$ 3,001,875
Infrastructure	11,307,450	5,100,122
	<u><u>\$ 20,674,550</u></u>	<u><u>\$ 8,101,997</u></u>

Note 7—Line of credit

During September 2019, the Organization entered into a line of credit agreement with its principal depository, which provided for maximum borrowings of \$1,500,000. The note evidencing the agreement accrued interest at a variable rate of LIBOR plus 1.75% and was secured by certain Organization investment accounts. Amounts outstanding were due on demand. In September 2020, the agreement was amended allowing for maximum borrowings of \$3,000,000 and stipulated a variable rate of interest at LIBOR plus 1.25%, payable monthly.

In July 2022, the revolving line of credit agreement was amended to allow for maximum borrowings of \$3,500,000 and stipulates a variable rate of interest based on changes in SOFR plus 1.00%, payable monthly (5.30% at December 31, 2022). This agreement matures on August 31, 2024 at which time all principal is due. This agreement is secured by certain of the Organization's deposits and investments. There were no amounts outstanding under the line of credit agreement at December 31, 2022 or 2021.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 8—Net assets with donor restrictions

The Organization receives contributions from donors with the stipulation that such contributions are to be used for specific purposes or periods. Such restrictions are available as follows at December 31:

	2022	2021
Subject to expenditure for specified purpose:		
Africa exhibit	\$ 18,391,611	\$ 18,493,562
Parking garage	4,003,805	1,303,219
Capital campaign	2,857,433	6,116,584
Leopard	1,069,777	1,144,896
Keeper Intern	407,500	490,000
Cougar exhibit	136,190	136,190
DeBrassa monkeys	66,667	100,000
Veterinary hospital	34,533	121,805
Other	18,428	265,526
Avian department	11,945	11,945
Peafowl/shrike	10,000	18,053
Komodo	-	874,871
Jungle gym	-	105,335
Promise Park	-	63,642
	<u>27,007,889</u>	<u>29,245,628</u>
General endowment to be held for production of income	<u>11,417,851</u>	<u>11,417,851</u>
	<u><u>\$ 38,425,740</u></u>	<u><u>\$ 40,663,479</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Note 9—Endowment

The Organization's endowment consists of donor-restricted gifts held in investment accounts. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the fiscal year ended December 31, 2022 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 12,838,969	\$ 11,417,851	\$ 24,256,820
Investment return:			
Investment income	448,624	-	448,624
Net depreciation (realized and unrealized)	<u>(3,156,911)</u>	<u>-</u>	<u>(3,156,911)</u>
Endowment net assets, end of year	<u><u>\$ 10,130,682</u></u>	<u><u>\$ 11,417,851</u></u>	<u><u>\$ 21,548,533</u></u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 9—Endowment (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2021 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 9,475,067	\$ 11,417,851	\$ 20,892,918
Investment return:			
Investment income	956,697	-	956,697
Net appreciation (realized and unrealized)	2,407,205	-	2,407,205
Endowment net assets, end of year	<u>\$ 12,838,969</u>	<u>\$ 11,417,851</u>	<u>\$ 24,256,820</u>

Interpretation of Relevant Law – The Organization has interpreted the UPMIFA 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 Organization classifies as endowment net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions as those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, there were no deficiencies of this nature at December 31, 2022 or 2021.

Endowment Investment Policy and Risk Parameters – The Organization has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period.

Under this policy, the Organization's investment policy is generally to achieve a minimum real rate of return exceeding a blended benchmark comprising major U.S. investment indices by maintaining 20% to 80% of its portfolio in equities, 10% to 35% of its portfolio in fixed income securities, and 10% to 25% in alternative assets.

Strategies Employed for Achieving Investment Objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization has a policy of appropriating, as necessary, dividend and interest income from the endowment fund. Based on the Organization's investment policy statement, the Organization may disburse up to 4% of endowment principal market value on an annual basis calculated on a three-year rolling average. Specific agreements with donors for income taken relative to their specific endowment gifts are exempted.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 10—Government grants and funding arrangements

Since 2013, the Organization received grants from the Metropolitan Government of Nashville and Davidson County ("Metro") to be used for construction, renovation, and improvements. The first award of \$5,000,000 was utilized by the Organization in 2013-2015. During 2014, the Organization received additional funding of \$10,000,000 to be used for these projects. The funding available under this arrangement was exhausted during 2017. Additionally, during 2015, Metro provided an additional \$10,000,000 in funding subject to the Organization's match of a like amount. For the years ended December 31, 2022 and 2021, the Organization recognized grant revenue totaling \$-0- and \$300,333, respectively, for infrastructure and new exhibits. All remaining amounts of grant funds were recognized and received in 2021.

During 2022, Metro budgeted a \$15,000,000 capital spending plan to contribute toward the construction of a parking garage serving the Organization. This arrangement contemplates a) a participation agreement between the Organization and Metro, b) the contribution of certain land to Metro via quitclaim deed and c) an amendment to the land lease (as discussed in Note 12). The quitclaim deed for land donation valued at \$200,000 is reflected as an expense in the 2022 statement of activities. However, the funding arrangement did not become binding until approved by Metro Council in January 2023. No amounts have been received or recorded in the Organization's financial statements for the year ended December 31, 2022. However, subsequent to December 31, 2022, draw requests for approximately \$9,100,000 have been submitted for qualifying expenses incurred through March 31, 2023 as the construction of the parking garage has begun. A payment for approximately \$3,500,000 was received from Metro on February 23, 2023.

During 2021, the Organization received its second Paycheck Protection Program ("PPP") loan in the amount of \$1,806,078. The PPP loan was granted by the Small Business Administration ("SBA") under the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization applied for forgiveness with the SBA which was granted when the SBA forgave the PPP loan in full on September 22, 2021. As a result, the Organization recognized \$1,806,078 in grant revenue on the statement of activities for the year ended December 31, 2021.

In addition, during 2021 the Organization applied for and received a Shuttered Venue Operators Grant ("SVOG") from the SBA in the amount of \$7,140,885. The SVOG funding is considered to be a conditional contribution under ASC 958-605, *Not-for Profit Entities – Revenue Recognition*. The grant must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to use the proceeds on certain allowable payroll and employee benefits, and other qualifying expenses such as utilities. The Organization recognized grant revenue for the full amount of \$7,140,885 for the year ended December 31, 2021, because the conditions for forgiveness had been substantially met at December 31, 2021.

The CARES Act contains the Employee Retention Credit ("ERC"), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the coronavirus ("COVID-19") outbreak. The Organization qualified for \$1,525,655 of ERC for various quarters during the year ended December 31, 2021. The Organization selected ASC 958-605 as the applicable standard for accounting for ERC. Such amounts are included in grants revenue in the accompanying 2021 statement of activities.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 11—Concentrations

At times throughout the year, the Organization may maintain cash balances at financial institutions in excess of Federal Deposit Insurance Corporation insured limits. Amounts in excess of these limits totaled approximately \$35,518,000 and \$41,581,000 at December 31, 2022 and 2021, respectively. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

The Organization utilizes various investment instruments. 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 values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

During 2017, the Organization recognized a \$5,000,000 pledged contribution from one donor which was outstanding at December 31, 2021 and was paid in full during 2022. In addition, the same donor made a contribution of approximately \$4,500,000 during 2022, comprising approximately 50% of total contributions for the year ended December 31, 2022. Similarly, during 2021, the same donor made a contribution of approximately \$5,499,000 during 2021, comprising approximately 11% of total public support and revenues for the year ended December 31, 2021.

Note 12—Lease

During 1997, the Organization executed a lease with Metro with the express purpose of moving the Nashville Zoo from Joelton, Tennessee to Grassmere Wildlife Park. Grassmere Wildlife Park, located within the city of Nashville, Tennessee, contains approximately 182 acres of land with various land improvements and buildings. The lease extends for 40 years and required a payment of \$40 with no further amounts due. Grassmere Wildlife Park is governed by a trust document which restricts the use of the park to nature study and the preservation of animals. At the end of the lease term, all permanent improvements made to the property revert to Metro.

Fair value of the lease has not been reflected in the accompanying financial statements because objective valuation information is not available due to the unique characteristics and public park location of the facilities. Additionally, there are certain restrictions placed on the use of the land by the trust document. Accordingly, no contribution or rental expense has been recorded in the financial statements.

Note 13—Retirement plans

Effective May 1, 2002, the Organization established the Nashville Zoo Inc. 401(k) Plan (the "Plan"). Full time employees over the age of 21 with at least one year of service are eligible to participate in the Plan. Participants may elect to defer a percentage of their pretax annual compensation, subject to certain discrimination tests prescribed by the Internal Revenue Code and other limitations specified in the Plan. Discretionary contributions will be made to the Plan as determined by the Board of Directors. During 2014, the Organization's Board of Directors approved an amendment to the Plan to match 50% of employee contributions up to a 3% match. This amendment was effective July 2015. During 2015, the Board approved an amendment to the Plan to provide safe harbor and matching contributions effective January 1, 2016. Under terms of the Plan amendments, the Organization will match 100% of employees' first 3% of contributions and 50% of employees' next 2% of contributions.

During 2010, the Organization's Board of Directors approved an additional retirement fund for key employees. During 2015, the Board approved the conversion of the fund to a 457(b) deferred compensation plan for key employees.

Total retirement expense related to all retirement plans for 2022 and 2021 was \$299,343 and \$298,934, respectively.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 14—Agreements

The Organization has entered into an agreement with a concessionaire for restaurant and gift shop operations at the zoo facility. This agreement began on January 1, 2006. During 2016, this agreement was amended to extend through December 31, 2027. The Organization will receive fees under this agreement based on a percentage of gross receipts. Income from the agreement totaled approximately \$2,981,000 and \$2,305,000 for 2022 and 2021, respectively, and is included in park income and events in the accompanying statements of activities.

In conjunction with the agreement amendment discussed above, the concessionaire paid the Organization \$1,159,000 in lieu of monthly fees. Such payment is being recognized ratably over the remaining term of the agreement. Accordingly, under this agreement, income of \$96,584 was recognized during 2022 and 2021, and \$482,917 and \$579,500 is included in deferred revenue at December 31, 2022 and 2021, respectively.

During 2019, the concessionaire agreement was amended again to extend through December 31, 2032. Additionally, the concessionaire made another payment to the Organization of \$1,601,024 during 2020 in lieu of monthly fees. Such payment is being recognized ratably over the remaining term of the agreement. Accordingly, under this amendment, income of \$138,218 was recognized during 2022 and 2021, respectively and \$1,243,961 and \$1,382,179 is included in deferred revenue at December 31, 2022 and 2021, respectively.

During 2017, the Organization entered into a lease arrangement as a lessor with a third party for use of certain barn space for a 12-year term. Under this arrangement, the Organization received a one-time payment of \$75,000, which is being recognized ratably over the lease term. At December 31, 2022 and 2021, \$42,708 and \$48,958 is recorded in deferred revenue, respectively.

Periodically, the Organization enters into agreements with third parties to conduct special guest experiences for specified periods of time ranging from a few months to a few years. These agreements often include stipulations that the Organization share revenue earned through additional attraction tickets for the experiences with the third parties. Amounts paid and payable to the third parties in accordance with the revenue share stipulations are recorded as contra revenues whereas the cost of the experience is recorded in program expenses in the statements of activities.

In December 2021, the Organization entered into a contract for the manufacture of an attraction for a cost of approximately \$5,000,000 to be installed as guest experience. In connection therewith, during August 2022, the Organization obtained a \$3,500,000 letter of credit related to this manufacturing contract. The letter of credit expires in September 2023. The Organization had no outstanding borrowings associated with its letter of credit at December 31, 2022. The manufacturing and construction costs of the attraction included in construction in progress was approximately \$4,005,000 as of December 31, 2022. Total costs of the attraction including manufacture costs incurred to date as well as, installation and related area work are presently estimated to be \$13,600,000.

Note 15—Subsequent events

Subsequent Events – The Organization evaluated subsequent events through April 13, 2023, when these financial statements were available to be issued.

See Note 10 for discussion of grant funding through Metro subsequent to December 31, 2022.