



**Financial Statements
and Required Supplementary Information**

**Commonwealth Zoological Corporation
d/b/a Zoo New England
A Component Unit of the
Commonwealth of Massachusetts**

June 30, 2022 and 2021



**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND
A Component Unit of the
Commonwealth of Massachusetts**

***Financial Statements
and Required Supplementary Information***

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Independent Auditors' Report

The Board of Directors
Commonwealth Zoological Corporation
d/b/a Zoo New England
Boston, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Commonwealth Zoological Corporation d/b/a Zoo New England (the "Zoo" or "ZNE") (a Massachusetts nonprofit corporation and a component unit of the Commonwealth of Massachusetts), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net position of Commonwealth Zoological Corporation d/b/a Zoo New England as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Zoo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of the Zoo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Zoo's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Zoo's internal control over financial reporting and compliance.

Mayer Heffman McCann P.C.

Boston, Massachusetts
September 29, 2022

COMMONWEALTH ZOOLOGICAL CORPORATION D/B/A ZOO NEW ENGLAND

Management's Discussion and Analysis

June 30, 2022 and 2021

This Management Discussion and Analysis ("MD&A") of the **Commonwealth Zoological Corporation D/B/A Zoo New England ("ZNE")** provides an introduction of the basic financial statements for the year ended June 30, 2022 with the selected comparative information for the years ended June 30, 2021 and 2020. Management prepared this unaudited MD&A, which should be read in conjunction with the financial statements, and the notes thereto, which follow this section.

BASIC FINANCIAL STATEMENTS

ZNE is an enterprise fund and the ZNE's basic financial statements include: *the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position and the Statements of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The *Statements of Net Position* depict ZNE's financial position at June 30, the end of ZNE's fiscal year. The Statements report all assets, liabilities and net position. Net position is displayed in three components: net investment in capital assets, restricted (distinguished between major categories of restrictions) and unrestricted.

The *Statements of Revenue, Expenses and Changes in Net Position* report total operating revenues, operating expenses, non-operating income and expenses, capital contributions and the changes in net position during the fiscal year ending June 30. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The *Statements of Cash Flows* present information showing how ZNE's cash and cash equivalents position changed during the fiscal year. The Statements classify cash receipts and cash payments by Operating Activities, Investing Activities, and Capital and Related Financing Activities.

Operational Highlights

FY 2022 – A year of continued growth, momentum and achievement

ZNE's Franklin Park Zoo and Stone Zoo are vibrant, essential contributors to the region's cultural and educational landscape, providing affordable activities for schools and families while educating, inspiring and sharing the wonders of wildlife.

As the guidelines related to the ongoing Covid-19 pandemic continued to evolve, we were fortunate in that both Franklin Park Zoo and Stone Zoo are primarily outdoor venues with ample space for guests to safely enjoy the experience. In FY 22, ZNE experienced an increase in daytime attendance with 841,172 visitors compared to 641,448 visitors in FY 21.

In FY 22, ZNE presented the popular *Boston Lights: A Lantern Experience* at Franklin Park Zoo for the second year. This outdoor, evening lantern experience once again proved to be extremely popular and financially beneficial, attracting 205,000 visitors and yielding \$1,880,257 in net revenue. ZooLights, our annual holiday light experience at Stone Zoo, achieved record-setting attendance of 102,433, an increase of 39,943 compared to 62,490 in FY 21.

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In the spring, we debuted Supersized Creatures, a seasonal experience at Stone Zoo. Featuring over 30 life-size animal sculptures made from millions of colorful bricks, Supersized Creatures was an opportunity to educate guests about the big role that small creatures play in healthy, balanced ecosystems.

Total overall attendance, inclusive of ZooLights and Boston Lights, in FY 22 was a record-setting 1,149,173, an increase of 260,075 visitors compared to 889,098 in FY 21. Membership also had a record-setting year with gross revenues of more than \$3,200,000 and 30,000 member households, compared to \$3,000,000 in revenue and 25,000 member households in FY 21.

After being presented virtually for two years due to the pandemic, we were pleased to once again host Zootopia, our largest fundraising gala, in person. For the first time in 15 years, Zootopia was held on the grounds at Franklin Park Zoo. The event was incredibly well-received and generated a lot of excitement from attendees. The event raised a record-setting \$704,178, which is an increase of \$294,958 over the \$409,220 raised in FY 21.

Education and conservation are the cornerstones of our mission. After many months with a heavy focus on virtual programming, the demand for in-person programming returned in FY 22. Nearly 1,000 in-person programs were conducted at the Zoos, including behind the scenes tours, animals encounters, tabling activities for visitors, and more. With ongoing support from the Cummings Foundation, we continued to develop three Family Nature Adventure Kits, which are intended to encourage families caring for foster children or children who have suffered trauma, to explore and spend time together outdoors. ZNE was once again a partner for the 5th Quarter of Learning program, co-managed by the Boston Public Schools and Boston After School & Beyond. Through the collaboration, ZNE's expertise in science learning is utilized to enhance the students' academic progress in math, science and language arts, as well as improve specific skills such as critical thinking by providing full day integrated learning experiences. ZNE's summer ZooCamp program was also in high-demand with spots filling quickly when registration opened in winter 2022.

Through our cooperative captive breeding programs, many new animals were born or hatched throughout the year and some new animals were brought into the collection from other zoos to bolster our breeding and education programs. Significant births included three North American river otters, a female giraffe, a red river hog, a two-toed sloth, and a prehensile-tailed porcupine whose birth announcement made national news. In September 2021, the staff at ZNE began vaccinating species susceptible to contracting COVID-19, an important preventative health measure to protect the animals in our care. In March, many of the bird species at Franklin Park Zoo and Stone Zoo were moved indoors to protect them from the Highly Pathogenic Avian Influenza (HPAI), which was detected in the eastern flyway. The virus is highly contagious and poses a serious health risk to birds.

In April 2022, we opened Gorilla Grove, a new \$9,180,000 state-of-the-art outdoor gorilla habitat at Franklin Park Zoo made possible by generous donors who wish to remain anonymous. This engaging new space features more than 360,000 cubic feet of space for the gorilla troop to explore. With a mix of real and fabricated trees, a waterfall, climbing vines, a multitude of built-in foraging opportunities and an immersive central observation outpost within the habitat, this space enables guests to observe the natural behaviors and social dynamics of the gorilla family.

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A critical component of achieving ZNE's mission is based in having meaningful impact in the conservation of wildlife, both locally and abroad. In New England, ZNE's Field Conservation team has continued to expand the scope and depth of its efforts to improve the on-the-ground conservation status of selected rare species populations. Current projects include efforts to help restore populations of Blanding's, wood, spotted, and eastern box turtles, marbled salamanders, eastern spadefoot toads, bridle shiner, threespine stickleback fish, frosted elfin butterflies, and two rare wildflowers – New England blazing star and Britton's violet. ZNE's Field Conservation team also engages thousands of schoolchildren and volunteers in on-the-ground rare species conservation efforts. The staff engaged more than 2,400 students from schools in Massachusetts through our Hatching and Turtle Conservation through Headstarting (HATCH) program. In FY 22, the HATCH program headstarted 85 Blanding's turtles, 46 wood turtles, and 15 spotted turtles. The Field Conservation team also provided programs to Lowell public schools for the first time. Work was expanded to protect Blanding's turtle nests at a new site around Lowell-Dracut-Tyngsboro State Forest, as well as box turtle nests in New Hampshire in collaboration with New Hampshire Fish and Wildlife.

Internationally, ZNE's Conservation Committee has formed multi-year, renewable partnerships to support critical conservation efforts for several critically endangered wildlife species, including Cross River gorillas in Nigeria, snow leopards in Mongolia, amphibians in Panama, Baird's tapirs in Costa Rica, and the Central American river turtle, also known as the hicatee, in Belize. Members of ZNE's Field Conservation team visited our Belizean conservation partners and helped conduct the first effort to determine the sex ratio among captive bred hicatees, one of the world's most critically endangered turtle species. In addition to species-specific partnerships, ZNE has created new robust partnerships with broader conservation initiatives, including with Health in Harmony in Madagascar to simultaneously help rare wildlife in a national park in southern Madagascar, while also materially improving the health care and economic opportunities available to Malagasy villagers who live alongside the park. ZNE's Conservation Genomics Scientist and Senior Veterinarian both traveled to Madagascar to support this project in FY22, replanting burned forests and surveying wildlife within the park. ZNE along with its partners were honored with a prestigious international award from the Geneva Health Forum in recognition of the One Health focused work currently being undertaken in Madagascar.

The Zoos remain committed to ensuring that personal financial situations do not constitute a barrier to enjoying and benefiting from Zoo experiences. As an organization whose mission is to connect people to the natural world through meaningful experiences that engage, educate and inspire the next generation of conservation stewards, it is imperative that we reach everyone within the communities we serve. ZNE's dedication to this aspect of our mission is evident in our community outreach programs, which include:

- Library Pass Programs: Libraries purchase the pass which entitles their patrons to a discount to the Zoos.

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- EBT Program: In recognition of the fact that Zoo visits are integral to childhood and learning, Massachusetts residents who are eligible for the Massachusetts' EBT and WIC program may purchase admission to the Zoos for up to four people for \$4.00 per person, which is more than 80% off per ticket. In FY 22, we welcomed a total of 75,393 guests who visited with their EBT/WIC cards. This is an increase of 41,146 compared to 34,247 participants in FY 21. Additionally, EBT/WIC cardholders had the opportunity to purchase Boston Lights tickets for \$15, and we welcomed 12,072 guests through this program. Our membership program for EBT and WIC cardholders continues to grow, and in FY 22 692 member households joined. Through this program, EBT and WIC cardholders can purchase a family level membership for \$40 (the regular price is \$125) and enjoy free general admission to both Franklin Park Zoo and Stone Zoo year-round.
- Community Pass Program: Non-profit organizations and community groups are eligible to receive a limited amount of free admission passes. In FY 22, ZNE distributed 4,500 passes to non-profit and community groups. Many of these passes were distributed to non-profit and community groups to attend Boston Lights.
- Organizational Pass Program: Non-profit organizations may purchase an institutional pass enabling groups of individuals to attend the Zoos at greatly reduced cost.

Animal Exhibits

- As of June 30, 2022 Franklin Park Zoo features 60 public animal exhibits and Stone Zoo features 44. Zoo New England is home to 1,690 animals representing 198 species.
- Significant acquisitions at Franklin Park Zoo and Stone Zoo included golden pheasant, Guinea hogs, Dexter cows, fennec fox, various cichlid species, Sicilian donkey, American miniature and Morgan horse, chinchilla, Nubian goat, Southdown sheep, and Nigerian dwarf goat. Notable births and hatches at Franklin Park Zoo included a red-river hog, Masai giraffe, sunbittern, marbled teal, and seven prairie dog pups. At Stone Zoo, a Linne's two-toed sloth, rock hyrax, North American river otters, and a prehensile-tailed porcupine were born.
- In the spring of 2022, the new state-of-the-art outdoor gorilla habitat, Gorilla Grove, opened to the public at Franklin Park Zoo. All members of the gorilla troop have used this new outdoor space and are becoming more and more comfortable being outdoors every day. In late spring 2022 at Franklin Park Zoo, Butterfly Hollow opened with a new look to its outer façade. The front and back entries were re-clad with a new covering material that greatly improved the appearance of the structure, and a new top cover was added. Additionally, at Franklin Park Zoo, the large fish tank located inside the Tropical Forest building was brought back online after receiving some much needed updates to its interior display and life support system. A completely new collection of fish were added to the large display and significant improvements were made to the lighting to help enhance colors and movements of the fish.
- The Stone Zoo petting area has been revitalized by the inclusion of several animals including the new Nubian and Nigerian dwarf goats and Southdown sheep. Similar improvements have been added to the guest experience at Franklin Park Zoo's Franklin Farm area by the addition of two young Guinea hogs, two miniature donkeys, a miniature horse and two Dexter cows.

Attendance

- In FY 22, Zoo New England experienced an increase in daytime attendance with 841,172 visitors compared to 641,448 visitors in FY 21.*
- Franklin Park Zoo's total daytime attendance reached 497,627, an increase of 148,712 from 348,915 in FY 21.*

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- Stone Zoo's daytime attendance reached 343,545, an increase of 51,012 from 292,533 in FY 21.*
- Total FY 22 attendance for ZooLights (Stone Zoo's evening holiday light show) was 102,433, an increase of 39,943 compared to 62,490 in FY 21.*
- Total FY 22 attendance for *Boston Lights: A Lantern Experience* (Franklin Park Zoo's evening summer/fall lantern experience) was 205,568, an increase of 20,408 compared to 185,160 in FY21.*
- Total overall attendance, inclusive of ZooLights and Boston Lights in FY 22, was 1,149,173, an increase of 260,075 visitors compared to 889,098 in FY 21. FY 22 was a record-setting attendance year for ZNE.

**All were new records set.*

Membership

- In FY 22, membership revenues from a record-setting 30,000 member households brought in over \$3,200,000, an increase of \$200,000 from FY 21 and the second year these revenues have exceeded \$3,000,000.

Education

- While COVID-19 adversely affected school group attendance in FY 21, in FY 22 school group attendance dramatically increased. Chapter 92B of the Acts of 1992 of the Massachusetts General Laws provides that the Zoos will admit Massachusetts school groups at no charge. Field trips to the Zoo are an opportunity for students to learn more about science, wildlife and conservation. In FY 22, school group attendance was 47,216, which is a 282% increase over school group attendance of 12,357 in FY 21.
- Throughout FY22, the Education department facilitated more than 1,100 activities and programs that engaged over 80,000 participants. This included 119 virtual and 996 in-person offerings. Among the programs and activities were 317 behind the scenes tours, 228 classes (for volunteers, youth staff, students, scouts, homeschoolers and more), and 150 animal encounter programs.
- Education staff facilitated more than 100 #ZooToYou digital programming presentations through Facebook Live, which attracted over 130,000 views.
- The Education department organized two Certified Interpretive Guide Training courses, and as a result 10 staff members and four volunteers earned certificates as "Certified Interpretive Guides" from the National Association for Interpretation.
- Demand for programs and activities in-person has been strong, and it appears that interest in virtual programs has waned as the response to the pandemic has evolved. The Education department facilitated nearly 1,000 programs in-person at the Zoos, including behind-the-scenes tours, animal encounters for birthday parties and Development department guests, tabling activities for visitors, and more.
- The Stone Zoo graphics project, supported by funding from the Institute of Museum and Library Services (IMLS), continues to progress. This project is re-developing graphics for five exhibits: peregrine falcon, jaguar, whooping crane, snow leopard and Mexican gray wolves. Staff gathered observational data and visitor surveys about the current exhibits and will gather similar information after installing the new graphics, which will help inform future planning.

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Rentals and Private Events

- In FY 22, we hosted a total of 213 events between Franklin Park Zoo and Stone Zoo. A total of 86 events were held at Stone Zoo and 127 events at Franklin Park Zoo. During our seasonal evening Boston Lights at Franklin Park Zoo and ZooLights at Stone Zoo, we hosted 10 private events at Franklin Park Zoo and 19 private events at Stone Zoo.

Volunteer Programs

- In FY 22, 151 volunteers donated a total of 8,975 hours of service as part of our Individual Volunteer Program. The hours of service are a 95% increase compared to the 4,594 volunteer hours in FY 21. These volunteers worked with a variety of departments across the Zoos including Education, Animal Care, Horticulture, and Events and Celebrations. In FY 22, we had a 43% increase in the number of volunteers in the Individual Volunteer program compared to the 105 individuals in FY 21.
- In FY 22, 316 volunteers donated a total of 948 hours of service as part of our Group Volunteer Program. These volunteers are part of 29 corporate groups, schools and volunteer organizations that helped with a variety of projects at both Zoos including landscaping, administrative projects and assistance during onsite special events.
- In sum, 467 volunteers contributed 9,923 hours of volunteer service to ZNE during FY 22.
- In FY 22, eight interns participated in internship programs in the Animal Care and Education departments. Staff in these departments provided 1,423 hours of practical training and educational experiences to further develop participants' skills and provide insight into the field.

Youth Programs

- Seven youth participated as Teen Ambassadors through the 2021-22 academic year, and worked in different areas including in the Education department, in the Children's Zoo and with our ambassador animals. They also helped care for wood turtles being "head-started" as part of our Field Conservation department's HATCH program. Additionally, they participated in professional development programming facilitated by our Youth Program Manager with lessons ranging from professionalism to conservation topics to how to draw animals. All of the participants applied and were accepted to return for our summer ZooTeen program.
- ZNE hired 35 youth as summer ZooTeens for 2022, who are working in several Zoo departments including Birds World, Children's Zoo, Education, Guest Services and Horticulture.
- Franklin Park Zoo's Jr. ZooTeen program is a creative and meaningful educational opportunity for highly-motivated youth ages 12 to 14. We facilitated one session of Jr. Zoo Teens in the fall and one in the spring, with six participants in each session.

Fundraising

- Total fundraising for FY 22 consisted of the receipt of unrestricted gifts and pledges of approximately \$2,204,235 along with the receipt of restricted/capital gifts and pledges totaling approximately \$3,789,851. Such gifts represent an overall increase of approximately \$2,922,798 or 95% compared to FY 21's total of \$3,071,288. The above gifts were received from individuals, foundations and corporations.
- This increase is largely due to five major capital campaign gifts received in FY 22, including two \$1,000,000 gifts.
- Unrestricted individual giving from donors in FY 22 was \$659,211, which is an increase of \$199,896 compared to \$459,315 in FY 21.

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- Unrestricted corporate support, which includes matching gifts and unrestricted corporate sponsorships, generated \$117,690 in FY 22. This is an increase of \$31,908 compared to \$85,782 in FY 21.
- Unrestricted foundation support was \$123,982 in FY 22. This is a decrease of \$15,213 from FY 21's total of \$139,195.
- Restricted funds (non-capital) raised in FY 22 totaled \$843,458, an increase of \$75,721 compared to \$767,737 raised in FY 21.
- A total of \$41,722 in restricted operating funds was raised for Zoo New England's field conservation programs in FY 22 from individuals, corporations, and foundations. This is an increase of \$1,257 compared to \$40,465 raised in FY 21.
- Zootopia, ZNE's largest fundraising gala, returned to the grounds of Franklin Park Zoo for the first time in 15 years on June 4, 2022, and raised a record-setting \$704,178 in sponsorships, ticket sales, and auction revenue. This was an increase of \$294,958 from FY 21's virtual event total of \$409,220.

Marketing and Communications

- In FY 22, Zoo New England received extensive press coverage for events and attractions including Boston Lights and the opening of Gorilla Grove at Franklin Park Zoo, and ZooLights at Stone Zoo. We welcomed a number of new births, hatches and acquisitions throughout the year, which also generated media coverage. The announcement of the prehensile-tailed porcupette born at Stone Zoo in late June attracted national news coverage including coverage on the TODAY show. The May issue of Boston magazine featured a 10-page photo essay on Franklin Park Zoo, while a June episode of Chronicle featured members of the Animal Care team at Franklin Park Zoo for a segment focused on unique jobs.
- Throughout FY 22, ZNE's media efforts resulted in 1,524 media placements, which generated an estimated reach of 9,684,786,142 in total circulation, listenership and viewership. Media placements and reach increased compared to 1,350 media placements in FY 21 and estimated media reach of 8,300,848,753 in FY 21. In FY 22, the estimated combined editorial value was \$4,527,090.84, an increase of \$1,707,239.84 compared to \$2,819,851 in FY 21. (These measurements are based on standard industry metrics for quantifying the impact and value of media coverage).
- Social media continues to be a big area of focus. In FY 22, the Facebook audience for Franklin Park Zoo grew by 17% from 112,512 followers to 131,451. Stone Zoo's Facebook audience grew by 3%, from 91,490 followers to 94,155. ZNE's Instagram followers grew from 47,276 to 52,191, or by 10%, while the Twitter audience increased 7%, from 12,106 to 12,905. We have also started to engage with the online community on TikTok and have 4,272 followers on the @FranklinParkZoo TikTok stream.

FINANCIAL POSITION SUMMARY

The Statements of Net Position depict ZNE's financial position as of one point in time— June 30 — and reflects the residual difference between all assets, and liabilities of ZNE. Net position represents the residual interest in ZNE's assets after deducting liabilities. ZNE's net position was \$50.3 million at June 30, 2022, a \$8.8 million increase from June 30, 2021.

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A condensed summary of ZNE's total net position at June 30 is set forth below:

	2022	2021	2020
Assets:			
Current and other assets	\$ 19,742,008	\$ 20,730,751	\$ 18,195,891
Capital assets	30,647,367	23,486,423	19,470,405
Service concession	<u>3,292,345</u>	<u>3,463,967</u>	<u>3,635,589</u>
Total assets	53,681,720	47,681,141	41,301,885
Liabilities:			
Current liabilities	2,800,879	5,503,059	3,703,320
Non-current	<u>382,139</u>	<u>391,881</u>	<u>248,123</u>
Total liabilities	3,183,018	5,894,940	3,951,443
Deferred inflows of resources	244,122	295,536	302,204
Net Position:			
Invested in capital assets	33,939,712	26,950,390	23,105,994
Restricted	6,223,764	9,075,250	13,272,463
Unrestricted	<u>10,091,104</u>	<u>5,465,025</u>	<u>669,781</u>
Total net position	\$ <u>50,254,580</u>	\$ <u>41,490,665</u>	\$ <u>37,048,238</u>

Net position is comprised of three components as follows:

Invested in capital assets and intangibles, net of related debt represents the largest portion of ZNE's net position (68% at June 30, 2022). ZNE uses these capital assets at each Zoo location to provide and maintain attractions to patrons and provide them with a certain desired level of atmosphere when they come to visit the Zoo, as such these assets are not available for future spending. Although ZNE's investment in capital assets is net of any related debt, that debt is repaid from operations as it is unlikely that the capital assets will be liquidated to pay liabilities.

Restricted net position (12% at June 30, 2022) includes amounts that have been restricted for capital expenditures as well as other non-capital expenditures as dictated by donors and grantors. The restricted component of net position consists of restricted assets reduced by liabilities related to those assets.

Unrestricted (20% at June 30, 2022) are available to meet any of ZNE's ongoing obligations. The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets and intangibles or the restricted component of net position.

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CAPITAL ACTIVITIES

A major source of ZNE's funding comes from restricted capital expenditure which is expected given the nature of ZNE's operations. Per ZNE's capitalization policy, such expenditures greater than \$2,500 are capitalized and depreciated over their estimated useful life using straight-line depreciation. The following is a summary of the amounts that make up total Capital assets as of June 30, 2022, 2021 and 2020:

Asset Classification	2022	2021	2020
Construction in process	\$ 1,669,480	\$ 4,852,209	\$ 157,192
Building and land improvements	45,831,635	34,149,471	33,222,355
Furnishings and equipment	<u>7,555,605</u>	<u>6,400,843</u>	<u>6,125,930</u>
 Total	 55,056,720	 45,402,523	 39,505,477
 Accumulated depreciation	 <u>24,409,353</u>	 <u>21,916,100</u>	 <u>20,035,072</u>
 Capital assets, net	 \$ <u>30,647,367</u>	 \$ <u>23,486,423</u>	 \$ <u>19,470,405</u>

ZNE's gross capital assets have increased approximately \$9,650,000 due to the continuing trend of Zoo management making a substantial effort to not only maintain but improve both the Franklin Park and Stone Zoos, During 2022, construction was completed on the Gorilla Exhibit which was opened in April 2022. Required footnote disclosures relative to capital assets can be found under "Note 6 - Capital Assets" in the Notes to Financial Statements.

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SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The changes in net position over time may serve as a useful indicator of changes in ZNE's financial position. A summary of ZNE's change in net position at June 30 is set forth below:

	2022	2021	2020
Operating revenues	\$ 14,225,154	\$ 11,835,698	\$ 6,324,336
Operating expenses	23,978,954	19,999,866	18,297,317
Non-operating revenues	2,968,941	1,935,307	98,521
Capital contributions	<u>15,548,774</u>	<u>10,671,288</u>	<u>21,451,169</u>
Change in net position	8,763,915	4,442,427	9,576,709
Net position, beginning of year	<u>41,490,665</u>	<u>37,048,238</u>	<u>27,471,529</u>
Net position, end of year	\$ <u><u>50,254,580</u></u>	\$ <u><u>41,490,665</u></u>	\$ <u><u>37,048,238</u></u>

OPERATING REVENUES AND OPERATING EXPENSE HIGHLIGHTS

The increase in operating revenues is due to the increase in general admissions. Also contributing to the increase in revenues were the additional memberships sold and the additional revenue generated by the Zoo's special events specifically Boston Lights.

Overall increase in operating expenses is consistent with the increase in operating revenues.

NON-OPERATING REVENUES

The increase in NON-operating revenues is due to Zoo qualifying and applying for Employee Retention Tax Credits ("ERTC"), for which an amended payroll tax return for the quarter ended March 31, 2021 was filed and a payment of \$1,070,734 is anticipated during the second half of 2022.

CAPITAL CONTRIBUTION HIGHLIGHTS

Overall increase in current year capital contributions is a result of the increase in State funding of approximately \$2,000,000 due to the Zoo being appropriated additional bond and grant monies during FY 22. Also contributing to the increase was an increase in private gifts largely in part to two contributions of \$1,000,000 each. As a result, the amount of related contribution revenue in the current year significantly increased.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Management's Discussion and Analysis

June 30, 2022 and 2021

State Appropriations:

Zoo New England is a public-private partnership – a model common across the country. Chapter 92B of the Acts of 1992 of the Massachusetts General Laws provides that the Zoos may receive, subject to appropriation, an annual operating subsidy from the Commonwealth and may request financial assistance from the Commonwealth for capital projects. State appropriations and bond fund revenue have remained consistent year over year, with a total of \$9.6 million awarded in FY 22.

In FY 22, operating support for ZNE was \$6,600,000 in state funds. Additionally, capital support was \$3,000,000 in FY 22 for deferred maintenance, asset preservation and capital improvements from the state bond funds. Capital improvements included constructing a new barn owl habitat, improvements to several species' habitats including white-cheeked gibbons, black bears, colobus monkeys, red river hogs and keas, IT and audio visual upgrades and equipment purchases, a renovation project of Franklin Park Zoo's historic Flight Cage (now called Raptor Ridge), a complete renovation of the restrooms at Kalahari Outpost at Franklin Park Zoo, landscaping improvements at both Zoos, and the purchase of veterinary equipment for the hospital.

ZNE has been awarded a \$3,000,000 appropriation from the state's COVID Pandemic Recovery Bill for a solar array project at Stone Zoo. Once completed, the new solar array will reduce 95% of Stone Zoo's reliance on electrical energy powered by fossil fuels, helping us fulfill our mission to protect the natural world.

Admission & Membership Rates

The rates in effect as of June 30, 2022 are as follows:

Admission Fees	Franklin Park Zoo	Stone Zoo
Adult	\$22.95	\$20.95
Child (2-12)	\$15.95	\$13.95
Senior (62+)	\$20.95	\$18.95

Membership Fees (for both Zoos)

Individual \$85.00
Dual \$100.00
Family \$125.00
Family + \$150.00
Friend \$175.00
Founder \$1,000

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Management's Discussion and Analysis

June 30, 2022 and 2021

Factors Impacting Future Periods:

FY 22 was a year of great success, despite continued challenges and uncertainty for ZNE due to the ongoing pandemic. Building on this success, we remain hopeful that FY 23 will be another strong year, although we, like everyone else are acutely aware of rising inflation and construction escalation costs. ZNE has achieved incredible growth and developed a growing cadre of attendees, members, supporters and collaborators. All of our work is a collective effort, and we are fortunate to have highly-skilled professional staff, a strong core of devoted volunteers, a dedicated Board of Directors, and a talented Advisory Council to ensure that we are able to deliver on our mission, now and in the future.

ZNE staff continue to focus on the strategic masterplan for interpretive planning for the two Zoos. During FY 22, senior staff and educators participated in training and design workshops to ensure that our interpretation and our guests' experiences are aligned with our mission. In FY 23, ZNE will continue this work with interpretive design firm, Impact by Design. Our interpretive masterplan will include environmental interpretation and effective behavior change strategies to help visitors better align with the pressing conservation needs of animal conservation, land preservation and climate change. We have reached a 50% completion point in the strategic interpretive master plan, and are piloting interpretive graphics for five species at Stone Zoo with the support of a grant from the Institute of Museum and Library Services (IMLS).

In June 2022, ZNE successfully completed its first year of our community outreach work in conjunction with Antioch University of New England, AmeriCorps and the neighborhoods of Dorchester, Roxbury, Mattapan and Jamaica Plain. Through surveys, community meetings, organizational meetings and in-person meetings, our initial outreach reached over 3,000 individuals and organizations that serve the neighborhoods. Currently, Antioch is analyzing all the data and information learned, which will be utilized in FY 23 to co-design programming that meets the communities' identified needs. This is a three-year pilot program being undertaken by ZNE, Woodland Park Zoo in Seattle, Cleveland MetroParks Zoo and Antioch University of New England. It is hoped that the results of the program may be used to implement similar initiatives at zoos across the country.

On the conservation and research front, we continue to further expand and develop programming through existing partners and new collaborators to make a measurable difference on behalf of wildlife and habitats, both locally and globally. Recent work has included collecting blood samples from wild box turtles for stress hormone analysis by collaborators in the Romero Lab and Tufts University, and our continued partnership with the Arnold Arboretum of Harvard University to survey urban wildlife in their ponds and to grow native plants for restoration projects. Notable international partnerships include our work to protect and preserve the hicatee in Belize, as well as our work with Health in Harmony in Madagascar to simultaneously help rare wildlife, while also materially improving the health care and economic opportunities available to Malagasy villagers.

On July 22, 2022, the third year of *Boston Lights: A Lantern Experience* at Franklin Park Zoo began. Last year, the experience, featuring more than 60 large-scale displays comprised of hundreds of colorful lanterns and animal light sculptures, was extremely popular as well as an important revenue generator. This summer, Boston Lights is once again dazzling visitors with spectacular new displays, many of which were custom-built for us. When Boston Lights ends in October, some of the sculptures will move to Stone Zoo to enhance our annual ZooLights experience.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2022 and 2021

ZNE continues to focus on staff development, recruitment of high caliber candidates and retention. In spring FY 22, salary corrections were made to bring salaries more in-line with our field and the greater Boston non-profit market, which will also enhance recruitment and retention. In conjunction with YW Boston, ZNE has continued to make progress on our Diversity, Equity and Inclusion ("DEI") initiative. Three working groups have been comprised each to advance one pillar of our DEI plan. We remain excited about this work and were pleased that an outside review of positions and salary revealed no concerns in regard to pay equity.

In FY 22, the Massachusetts legislature passed a state operating budget for FY 23 with \$6,600,000 for ZNE. The Commonwealth has also included \$3,000,000 for ZNE in its Capital Spending Budget.

ZNE has a proven track record of vigilantly tracking and managing expense increases in order to ensure positive financial outcomes. In regard to the mission-driven work that is really at the heart of the organization, ZNE continues to focus on expanding programming opportunities, as well as developing relationships with new education, conservation and community partners.

Contacting the Commonwealth Zoological Corporation:

This financial report is designed to provide a general overview of the Zoo's financial activity. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Questions regarding any of the information provided in this report or requests for additional information should be addressed to Cynthia Mead, Executive Vice President of External Affairs and Programming, Zoo New England, 1 Franklin Park Road, Boston, MA 02121.

Financial Statements

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Statements of Net Position

	June 30,	
	2022	2021
Assets		
Current:		
Cash and cash equivalents	\$ 7,436,220	\$ 8,770,151
Cash and cash equivalents for investment in plant and equipment and other items	3,959,120	9,613,545
Investments	2,115,341	274,751
Accounts receivable	84,126	85,761
State appropriations receivable	2,400,000	796,000
Pledges receivable, net	1,365,404	322,084
Prepaid expenses and other assets	107,768	286,352
Government grants receivable	1,070,734	-
Inventories	55,482	88,183
Noncurrent:		
Pledges receivable, net	1,147,813	493,924
Capital assets - net of accumulated depreciation	30,647,367	23,486,423
Service concession agreement - net of accumulated amortization	3,292,345	3,463,967
	53,681,720	47,681,141
Liabilities		
Current:		
Accounts payable	1,646,756	2,035,381
Accrued compensation	326,436	456,219
Accrued liability for compensated absences	428,883	408,401
Accrued expenses	246,235	272,580
Deferred revenues and advances from grantors	152,569	414,576
Federal payroll protection loan payable	-	1,915,902
Noncurrent:		
Accrued liability for compensated absences	382,139	391,881
	3,183,018	5,894,940
Deferred inflows of resources	244,122	295,536
Net position		
Invested in capital assets and intangibles	33,939,712	26,950,390
Restricted for:		
Capital projects	5,427,451	8,433,165
Education and other programs	796,313	642,085
Unrestricted	10,091,104	5,465,025
	\$ 50,254,580	\$ 41,490,665

See accompanying notes to the financial statements.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Statements of Revenue, Expenses and Changes in Net Position

	Years Ended June 30,	
	2022	2021
Operating revenues:		
Guest operating revenue:		
Admissions	\$ 8,920,282	\$ 7,541,905
Concessions revenue	606,585	300,896
Membership fees	<u>3,215,773</u>	<u>3,093,322</u>
Total guest operating revenue	12,742,640	10,936,123
Other operating revenue	<u>1,482,514</u>	<u>899,575</u>
Total operating revenue	<u>14,225,154</u>	<u>11,835,698</u>
Operating expenses:		
Animal care	5,461,131	4,934,670
Educational	1,120,560	1,004,636
Facilities and grounds	5,801,678	4,608,314
Fundraising	1,009,556	669,717
General and administrative	3,120,626	2,857,610
Guest services	4,800,528	3,872,269
Depreciation and amortization	<u>2,664,875</u>	<u>2,052,650</u>
Total operating expenses	<u>23,978,954</u>	<u>19,999,866</u>
Operating loss	<u>(9,753,800)</u>	<u>(8,164,168)</u>
Non-operating revenues:		
Gain on extinguishment of debt	1,915,902	1,861,800
Government grant income	1,070,734	-
Investment income (loss)	<u>(17,695)</u>	<u>73,507</u>
Non-operating revenues	<u>2,968,941</u>	<u>1,935,307</u>
Loss before contributions	<u>(6,784,859)</u>	<u>(6,228,861)</u>
Contributions:		
State appropriations	9,600,000	7,600,000
Private gifts - unrestricted	2,266,754	1,900,370
Private gifts - restricted	<u>3,682,020</u>	<u>1,170,918</u>
Total contributions	<u>15,548,774</u>	<u>10,671,288</u>
Change in net position	8,763,915	4,442,427
Net position, beginning of year	<u>41,490,665</u>	<u>37,048,238</u>
Net position, end of year	<u>\$ 50,254,580</u>	<u>\$ 41,490,665</u>

See accompanying notes to the financial statements.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Statements of Cash Flows

	Years Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Operating revenues from guests	\$ 12,742,640	\$ 10,936,123
Other operating revenue	1,222,142	1,177,620
Payments to employees	(9,584,185)	(8,324,502)
Payments for benefits	(2,288,647)	(2,140,267)
Payments for utilities	(1,564,966)	(1,332,668)
Payments to suppliers	<u>(7,837,548)</u>	<u>(5,952,987)</u>
Net cash used in operating activities	<u>(7,310,564)</u>	<u>(5,636,681)</u>
Cash flows from non-capital financing activities:		
State appropriations	5,496,000	4,054,000
Gifts and grants for other than capital purposes	<u>512,541</u>	<u>1,701,591</u>
Net cash provided by non-capital financing activities	<u>6,008,541</u>	<u>5,755,591</u>
Cash flows from capital and related financing activities:		
State appropriations - restricted to capital use	2,500,000	2,750,000
Purchases of capital assets	(10,010,068)	(4,729,808)
Private gifts - restricted	<u>3,682,020</u>	<u>1,170,918</u>
Net cash used in investing activities	<u>(3,828,048)</u>	<u>(808,890)</u>
Cash flows from investing activities:		
Investment income	(17,695)	73,504
Purchase of investments	(1,840,590)	(110,939)
Proceeds from federal payroll protection loan payable	-	1,915,902
Change in cash held for investment in plant and equipment	<u>5,654,425</u>	<u>2,991,175</u>
Net cash provided by investing activities	<u>3,796,140</u>	<u>4,869,642</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,333,931)</u>	<u>4,179,662</u>
Cash and cash equivalents, beginning	<u>8,770,151</u>	<u>4,590,489</u>
Cash and cash equivalents, ending	<u>\$ 7,436,220</u>	<u>\$ 8,770,151</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (9,753,800)</u>	<u>\$ (8,164,168)</u>
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	2,664,875	2,052,650
Bad debts recoveries	6,000	(42,381)
Accounts receivables	(4,365)	(47)
Inventories	32,701	(18,250)
Prepaid expenses and other assets	178,584	(233,123)
Accounts payable	(27,164)	55,537
Accrued compensation	(129,783)	135,785
Accrued liability for compensated absences	10,740	178,149
Accrued expenses	(26,345)	78,694
Advances from grantors	<u>(262,007)</u>	<u>320,473</u>
Total adjustments	<u>2,443,236</u>	<u>2,527,487</u>
Net cash used in operating activities	<u>\$ (7,310,564)</u>	<u>\$ (5,636,681)</u>

See accompanying notes to the financial statements.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Commonwealth Zoological Corporation d/b/a Zoo New England (the “Zoo” or “ZNE”) is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and may accept, hold, use, apply and dispose of any and all donations, grants, bequests and devices received by the Zoo, conditional or otherwise.

The Zoo was organized in June 1991 under Chapter 92B of the Acts of 1992, as amended, for the purpose of operating the Franklin Park Zoo in Dorchester and the Walter D. Stone Memorial Zoo in Stoneham. It is a tax-exempt corporation under Chapter 180 of the laws and is legally separate from the Commonwealth of Massachusetts (“Commonwealth”) and is governed by a Board of Directors of up to thirty members of which two members are appointed by the Governor of the Commonwealth and one member is appointed by the Mayor of the City of Boston. The Commonwealth does not appoint a voting majority of the Zoo’s governing board. Nonetheless, the Zoo is considered a component unit of the Commonwealth because of its fiscal dependence on the Commonwealth. The Commonwealth is financially accountable for the Zoo and can significantly influence the Zoo. As such, the Zoo is included in the Commonwealth’s basic financial statements. The accompanying financial statements present the financial position and the changes in the net position and cash flows of the Zoo only. The Zoo is not involved in any joint ventures.

The Zoo may receive, subject to appropriation, an annual operating subsidy from the Commonwealth of Massachusetts through a line item in the budget of the Massachusetts Office of Travel and Tourism. In addition, the Zoo may request financial assistance from the Commonwealth of Massachusetts for any capital projects undertaken at the Zoo. The Commonwealth of Massachusetts retains title to all real property and the appurtenances thereon, with the exception of certain structures and related property at the Franklin Park Zoo, including the office building. The Zoo maintains care, custody and control of the Zoo facilities and collections.

The Zoo’s two operating locations are accredited by the Association of Zoos and Aquariums (“AZA”) through September 2024. To be accredited, an organization must meet certain standards in areas including animal husbandry, visitor experience, education and finances. Benefits of accreditation include the ability to participate in animal exchange programs with other zoos and enhanced opportunities and national marketing and fundraising program acceptance in the zoo professional and philanthropic communities.

A summary of the accounting policies consistently applied in the financial statements follows:

Basis of Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (“GAAP”) for state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The Zoo's operations are presented as a single enterprise fund. Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The financial statements (i.e., the statements of net position, the statements of revenue, expenses and changes in net position and the statements of cash flows) report information on the activities of the Zoo. The effect of any interfund activity has been removed from these financial statements.

Use of Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Zoo's cash and cash equivalents are considered to be cash on hand, cash on deposit with financial institutions and short-term investments with an initial maturity of three months or less. Restricted cash represents amounts received with donor-imposed restrictions and such amounts have been classified as cash and cash equivalents restricted for investment in plant and equipment and other items in the accompanying statements of net position.

Investments and Fair Value Measurements

The Zoo's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1— Investments reflect prices quoted in active markets.

Level 2— Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3— Investments reflect prices based upon unobservable sources.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments and Fair Value Measurements (Continued)

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Zoo's financial instruments (see Note 3).

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Inventories, Prepaid Expenses and Other Assets

Inventories include animal care supplies that are stated at the lower of cost (first-in, first-out basis) or market value. Certain payments reflecting costs applicable to future accounting periods are recorded as prepaid items and other assets.

Capital Assets and Collections

Capital assets are recorded at cost or, if donated, at fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. Capital assets are defined as those assets with an initial, individual cost of over \$2,500. Major renewals and betterments which are significant and add to the productive capacity or extend the useful life of capital assets are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, which are summarized as follows:

Buildings, including improvements	27 - 40 years
Furnishings and equipment	3 - 5 years

The Zoo does not capitalize purchased or donated animals that are held for public exhibition, education, research and public service. Purchases of collection items are recorded as decreases in unrestricted net position in the year in which the items are acquired. Donated collection items are not recognized as revenues. These collections are neither disposed of for financial gain nor encumbered in any means.

Purchases and exhibit fees of collection items totaled approximately \$164,400 and \$84,100, which is included in animal care and guest services at June 30, 2022 and 2021, respectively.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Service Concession Agreements

Service concession agreements represent both capital assets constructed by the Zoo on leased land under a service concession agreement and are reported in the statements of net position at cost and which revert back to the landlord should the Zoo vacate the premises as well as assets purchased by the concession vendor per the terms and conditions of a lease agreement that should be accounted for as a service concession agreement under GASB regulations. The assets constructed by the Zoo are being amortized over the straight-line basis over their estimated useful lives of the underlying assets which range from 27 to 40 years. The assets purchased by the concession vendor are capitalized consistent with the methodology the Zoo uses to capitalize its other capital assets along with a corresponding amount recorded as deferred inflows which is amortized over the life of the lease.

Revenue Recognition, Deferred Revenues and Advances from Grantors

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. The Zoo has both earned revenues and contributed support. Earned revenues are under arrangements that are one year or less in length.

Earned Revenues

Under accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All earned revenue is reported as operating revenues. A summary of each of the earned revenue flows are as follows:

Admissions are reported as revenue on the date of admission which is when the performance obligation is satisfied. Advance sales and group sales are reported as deferred support and are recognized as admissions revenue when the performance obligation is satisfied, which is the date of admission.

Concession revenues consist primarily of gift shop, food and beverage commissions and venue rental sales. Gift shop sales, food sales and event catering are managed by 3rd parties and the Zoo receives a commission based on the revenues generated on a monthly basis based on actual sales. Deposits and prepayments for space rentals on events and group sales are reflected as deferred support until the performance obligation is satisfied, which is the date of the event.

Membership fees are recorded as earned on the date of receipt. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the length of the membership.

The Zoo periodically hosts events through a revenue sharing program. Under these contracts the Zoo receives 100% of the revenue and then needs to pay a percentage to the other party. Under these contracts, the Zoo records the net revenue as admissions revenue.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition, Deferred Revenues and Advances from Grantors (Continued)

Contributed Support

A summary of each of the contributed support are as follows:

The Zoo receives pledges, grants and gifts of financial support from corporations, foundations and individuals. Such revenue is recognized in accordance with GASB No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Pledges are recognized when all eligibility requirements have been met, provided the pledge is verifiable and the resources are measurable and probable for collection.

The Zoo records as revenue, the value of donated services provided by qualified professionals that the Zoo would have purchased if not donated. Additionally, a substantial number of volunteers have donated significant amounts of their time on the Zoo's behalf, which has not been recognized in the accompanying financial statements.

Advances from grantors consists primarily of grants, deposits on rental events and gifts for fundraising events to be held in the following fiscal year.

The Zoo receives government funding from the Commonwealth of Massachusetts annually based on the Commonwealth's annual budget. Revenue is earned and recorded ratably over the year.

Compensated Absences

It is the Zoo's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Employees may use this time in addition to other vacation time earned each year within the established limits. Unused time is paid to the employee upon termination or retirement. Compensated absences are recorded as a non-current liability in the statements of net position. The amount estimated to be paid during the next fiscal year is reported as a current liability.

Reclassifications

Certain amounts from the 2021 financial statements have been reclassified to conform to the 2022 presentation. Such reclassifications have had no impact on the change in net position.

Income Tax Status

The Zoo is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the financial statements.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

The Zoo accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Zoo has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Zoo has determined that such tax position does not result in an uncertainty requiring recognition. The Zoo is not currently under examination by any taxing jurisdiction.

Subsequent Events

The Zoo has evaluated subsequent events through September 29, 2022, the date that the financial statements were available to be issue (see Note 16).

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30:

	2022	2021
Bank balance of cash and cash equivalents	\$ 11,965,650	\$ 18,788,081
Reconciling items (deposits in transit, outstanding checks, etc.), net	<u>(570,310)</u>	<u>(392,607)</u>
Total cash and cash equivalents	<u>\$ 11,395,340</u>	<u>\$ 18,395,474</u>
Bank deposits insured by the Federal Deposit Insurance Corporation	\$ 520,145	\$ 515,445
Bank deposits uninsured and uncollateralized	<u>10,875,195</u>	<u>18,272,636</u>
Total bank deposits	<u>\$ 11,395,340</u>	<u>\$ 18,788,081</u>
Cash and cash equivalents as displayed on the statements of net position:		
Cash and cash equivalents	\$ 7,436,220	\$ 8,781,929
Cash and cash equivalents for investment in plant and equipment and other items	<u>3,959,120</u>	<u>9,613,545</u>
Total	<u>\$ 11,395,340</u>	<u>\$ 18,395,474</u>

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 2 - Cash and Cash Equivalents (Continued)

The Zoo maintains cash and cash equivalent balances at an institution located in Massachusetts. The Zoo monitors its exposure associated with cash and cash equivalents and has not experienced any loss in such accounts. Per Massachusetts' General Laws, the Zoo is required to maintain its money with financial institutions that are approved by the state treasurer. At June 30, 2022, the Zoo was in compliance with such state regulations.

Note 3 - Investments and Fair Value Measurements

Investments consist of exchange traded funds which are valued using Level 1 fair value methods as per the accounting policies as outlined earlier. Also included in investments are US Government Bonds which are valued using Level 2 fair value methods.

The equity mutual funds represents funds restricted for education and other programs on the accompanying statements of net position. While the US Government Bonds represent unrestricted investments.

The following table summarizes the valuation of the Zoo's financial instruments as of June 30, 2022 and 2021:

	2022		
	Level 1	Level 2	Total
Assets:			
Exchange traded funds	\$ 214,136	\$ -	\$ 214,136
US Government Bonds	-	1,901,205	1,901,205
Total investments	\$ 214,136	\$ 1,901,205	\$ 2,115,341
Assets:			
Exchange traded funds	\$ 262,973	\$ -	\$ 262,973
US Government Bonds	-	-	-
Total investments	\$ 262,973	\$ -	\$ 262,973

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 4 - Pledges Receivable

Pledges receivable are as follows at June 30:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,365,404	\$ 322,084
One year to five years	1,286,083	544,000
	2,651,487	866,084
Less allowance for doubtful pledges and present value discount	(138,270)	(50,076)
	\$ 2,513,217	\$ 816,008
Unconditional promises presented on the statement of net position:		
Pledges receivable, net - current	\$ 1,365,404	\$ 322,084
Pledges receivable, net - noncurrent	1,147,813	493,924
	\$ 2,513,217	\$ 816,008

Pledges are discounted to present value using a risk adjusted discount rate which amounted to 3.01% and 1.74% as of June 30, 2022 and 2021, respectively.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:					
Construction in process	\$ 4,852,208	\$ 6,854,630	\$ -	\$ (10,037,358)	\$ 1,669,480
Capital assets, being depreciated:					
Buildings, including improvements	34,149,471	1,644,806	-	10,037,358	45,831,635
Furnishings and equipment	6,400,844	1,154,761	-	-	7,555,605
Total capital assets being depreciated	<u>40,550,315</u>	<u>2,799,567</u>	<u>-</u>	<u>10,037,358</u>	<u>53,387,240</u>
Total at historical cost	<u>45,402,523</u>	<u>9,654,197</u>	<u>-</u>	<u>-</u>	<u>55,056,720</u>
Less: accumulated depreciation for:					
Buildings, including improvements	(16,697,821)	(1,942,418)	-	-	(18,640,239)
Furnishings and equipment	(5,218,279)	(550,835)	-	-	(5,769,114)
Total accumulated depreciation	<u>(21,916,100)</u>	<u>(2,493,253)</u>	<u>-</u>	<u>-</u>	<u>(24,409,353)</u>
Net capital assets	<u>\$ 23,486,423</u>	<u>\$ 7,160,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,647,367</u>

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 5 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2021 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:					
Construction in process	\$ 157,192	\$ 4,695,016	\$ -	\$ -	\$ 4,852,208
Capital assets, being depreciated:					
Buildings, including improvements	33,222,355	927,116	-	-	34,149,471
Furnishings and equipment	6,125,930	274,914	-	-	6,400,844
Total capital assets being depreciated	39,348,285	1,202,030	-	-	40,550,315
Total at historical cost	39,505,477	5,897,046	-	-	45,402,523
Less: accumulated depreciation for:					
Buildings, including improvements	(15,338,797)	(1,359,024)	-	-	(16,697,821)
Furnishings and equipment	(4,696,275)	(522,004)	-	-	(5,218,279)
Total accumulated depreciation	(20,035,072)	(1,881,028)	-	-	(21,916,100)
Net capital assets	\$ 19,470,405	\$ 4,016,018	\$ -	\$ -	\$ 23,486,423

Note 6 - Service Concession Agreement

Children's Zoo - George Robert White Fund

The Zoo has a lease for its administrative office buildings which sit on approximately 14,400 square feet of space located at One Franklin Park Road, three additional temporary office buildings of approximately 20,000 square feet and approximately four acres comprising the Children's Zoo from the George Robert White Fund (the GRW). The terms and conditions of the lease are such that the arrangement should be accounted for as a service concession agreement under GASB regulations. The current lease term was extended during the year ended June 30, 2020 and continues through November 30, 2024 and calls for perpetual renewals so long as the Zoo is not in default of any of the provisions contained in the lease.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 6 - Service Concession Agreement (Continued)

Children's Zoo - George Robert White Fund (Continued)

The lease calls for payments of \$1.00 to be paid annually by the Zoo and requires the Zoo to operate the facilities in accordance with the charitable purposes of the GRW. The Zoo has entered into the agreement in order to secure the facilities necessary to operate the Franklin Park Zoo. The lease agreement does not contain any transfer of ownership clauses that would convey ownership to the Zoo and furthermore includes a clause that states that all structural repairs, alterations, replacements, additions, improvements or renovations shall become the sole and exclusive property of the GRW upon termination of the lease. As such, all funds invested by the Zoo on this property are reported as service concession agreement, see table below.

Per the terms of the lease, the Zoo is required to acknowledge in its financial statements that the use of the facility is a "gift-in-title" from the GRW and that the value of this gift is equal to \$10.00 per square foot. As such, the Zoo acknowledges the value of the "gift-in-kind" (see Note 13) to be \$144,120 for the years ended June 30, 2022 and 2021, respectively, reported as facilities and grounds expense on the accompanying statements of revenues, expenses and changes in net assets.

Service concession agreement activity was as follows:

	2022			
	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Service concession assets being amortized:				
Franklin Park Children's Zoo	\$ 4,290,550	\$ -	\$ -	\$ 4,290,550
Less: accumulated amortization for:				
Franklin Park Children's Zoo	<u>(826,583)</u>	<u>(171,622)</u>	<u>-</u>	<u>(998,205)</u>
Net service concession assets	<u>\$ 3,463,967</u>	<u>\$ (171,622)</u>	<u>\$ -</u>	<u>\$ 3,292,345</u>
	2021			
	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Service concession assets being amortized:				
Franklin Park Children's Zoo	\$ 4,290,550	\$ -	\$ -	\$ 4,290,550
Less: accumulated amortization for:				
Franklin Park Children's Zoo	<u>(654,961)</u>	<u>(171,622)</u>	<u>-</u>	<u>(826,583)</u>
Net service concession assets	<u>\$ 3,635,589</u>	<u>\$ (171,622)</u>	<u>\$ -</u>	<u>\$ 3,463,967</u>

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 7 - Concessionaire and Food Service Tenant Agreement

The Zoo executed an agreement with a vendor to sell food, beverages and retail merchandise to patrons of the facility through March 2026. The terms and conditions of the lease are such that the arrangement should be accounted for as a service concession agreement under GASB regulations. Under the terms, the vendor is required to make an upfront payment to the Zoo of \$50,000 and to expend an additional \$550,000 in capital improvements, of which approximately \$497,000 has been expended and capitalized as of June 30, 2022, to the food service facilities that are to be amortized over the term of the lease with the Zoo retaining ownership upon termination of the agreement of the assets. Also, the agreement stipulates that if it is terminated for any reason other than voluntary abandonment by the vendor prior to the end of its ten year term, the unamortized amount will be reimbursed to the vendor. As these improvements are placed into service, the amounts are recorded as capital assets on the statements of net position and depreciated along with the Zoo's other capital assets. The assets will be offset by deferred inflows which will be amortized over the term of the lease and recorded as non-operating contribution revenue.

During 2022 and 2021, \$5,590 and \$46,479 of assets purchased per the above referenced agreement were placed into service and a corresponding amount of deferred inflows were recorded on the accompanying statements of net position at June 30, 2022 and 2021, respectively. During 2022 and 2021, \$57,004 and \$53,146 of the deferred inflows were amortized and recorded as non-operating contribution revenue on the accompanying statements of revenue, expenses and changes in net position, respectively.

The Zoo has also entered into an agreement with the vendor for the use of certain Zoo facilities including customer service and concession areas. This agreement includes: advertising, food and beverage, retail and vending machines. The agreement calls for commissions to be paid to the Zoo on a monthly basis based upon the food, beverage, and merchandise sales ranging from 10% to 20.0% of gross receipts.

Note 8 - Federal Payroll Protection Loan Payable

The Zoo applied for and received a forgivable Paycheck Protection Program Loan (the "PPP Loan") of \$1,915,902 and \$1,861,800 in 2021 and 2020, respectively, as provided under the Federal Coronavirus Aid, Relief and Economic Security Act. The Zoo follows the loan forgiveness model of accounting in accordance with GASB 70 and as such recorded revenues of \$1,915,902 and \$1,861,800 in 2022 and 2021, respectively, given forgiveness was granted during those fiscal years.

Note 9 - Employee Retention Tax Credits

The Zoo determined it was eligible for the Employee Retention Tax Credit ("ERTC") Program for the quarter ending March 31, 2021. During fiscal 2022, the Zoo filed an amended return for that quarter totaling \$1,070,734 for which they are still awaiting receipt. In accordance with GASB 33, the Zoo recorded revenue and a corresponding government grant receivable in the amount of \$1,070,734 for the fiscal year ended June 30, 2022.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 10 - Line of Credit

The Zoo has a demand line of credit with a bank, whereby it may borrow up to \$1,000,000 with interest payable monthly, at a borrowing rate of 30-day LIBOR plus 3.50% (4.95% and 3.60% at June 30, 2022 and 2021, respectively). Borrowings under the line of credit are collateralized by substantially all assets of the Zoo and terminates at the discretion of the bank. The line also requires the maintenance of certain financial covenants. There was no outstanding balance on the line of credit at June 30, 2022 and 2021.

Note 11 - Retirement Plan

The Zoo has in effect a 401(k) plan covering eligible employees. Matching contributions to the plan are at the discretion of the Board of Directors and are funded on a current basis. Employer contributions to the plan totaled approximately \$203,900 and \$173,500 for the years ended June 30, 2022 and 2021, respectively.

Note 12 - Government Support/Concentration of Revenue

Support received from the Commonwealth totaled \$9,600,000 and \$7,600,000 for the years ended June 30, 2022 and 2021, respectively. Funding consisted of \$6,600,000 and \$4,600,000 received for unrestricted operating purposes in 2022 and 2021, respectively, and \$3,000,000 of bond funding that was restricted for various uses as specified in a detailed budget provided by the Commonwealth in 2022 and 2021. State appropriation receivables were \$2,400,000 and \$796,000 as of June 30, 2022 and 2021, respectively.

Subsequent to year end, the Commonwealth passed a state budget for fiscal 2023 appropriating \$9,600,000 for the Zoo's operating budget including \$3,000,000 for the Zoo in funds from the annual bond authorization.

Note 13 - Donated Materials and Services

The Zoo received donations of materials, services and facilities which are included as private gifts - unrestricted on the accompanying statements of revenue, expenses and changes in net position. Donated materials consisted primarily of supplies for animal care and other purposes. Donated services provided by qualified professionals and recognized as unrestricted contribution revenue and a corresponding. These services are primarily for advertising, legal services and veterinary services and are reported as such in the accompanying statements of revenue, expenses and changes in net position. Donated facilities relates to the lease agreement the Zoo maintains with the GRW (see Note 6).

	2022	2021
Donated materials	\$ 125,081	\$ 147,243
Donated services	311,365	244,452
Donated facilities	<u>144,200</u>	<u>144,200</u>
Total donated materials and services	<u>\$ 580,646</u>	<u>\$ 535,895</u>

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Notes to Financial Statements

Note 14 - Cash Flow Information

An intangible asset was recorded as a deferred inflow (see Note 7) of \$5,590 and \$46,479 in 2022 and 2021, respectively, under a service concession agreement. Capital asset purchases of approximately \$860,000 and \$1,221,000 were included in accounts payable at June 30, 2022 and 2021, respectively.

Note 15 - Risk Management, Commitments and Contingent Liabilities

The Zoo is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Zoo has purchased insurance in customary amounts for an organization of its size.

In the opinion of management, no litigation is now pending, or threatened, which would materially affect the Zoo's financial position.

During fiscal 2022 the Zoo entered into a contract to purchase and install a solar array at the Stone Zoo. The contract total is for \$2,920,334, of which \$564,067 was paid prior to year end. It is the intention of the Zoo to fund this contract with an appropriation from the state. (See Note 5)

Note 16 - Subsequent Events

ZNE has been awarded a \$3,000,000 appropriation from the state's COVID Pandemic Recovery Bill for the solar array project at Stone Zoo (See Note 15). In September 2022 the Zoo received \$1,500,000 of these funds.

Reporting Under Government Auditing Standards



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*Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

The Board of Directors
Commonwealth Zoological Corporation
d/b/a Zoo New England
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Commonwealth Zoological Corporation d/b/a Zoo New England (the “Zoo”) which comprise the statement of net position as of June 30, 2022 and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

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

Mayer Heffman McCann P.C.

Boston, Massachusetts
September 29, 2022