

Performance Review of the Cincinnati Zoo and Botanical Garden

Report to the Hamilton County Tax Levy Review Committee

Presented by:

James Horkey, CPA/ABV, CFF – Principal
Camille Ho-A-Lim, CPA, CGMA – Manager
Helen Weeber, CPA – Director Non Profit

- ▶ Major expansion has continued through the current levy period.
- ▶ CZ&BG has taken a number of successful strategic actions that have lead to positive results.
- ▶ On an average annual basis revenues increased by 3.62% per year while expenses increased by 2.39%. In fact, operating revenues increased at a greater rate than operating expenses for all fiscal years, except fiscal 2021.
- ▶ CZ&BG's management was able to successfully navigate the pandemic and is financially stronger in 2022 than they were before the pandemic.

- ▶ Attendance has come back to 1.73 million visitors for the most recent fiscal year ended March 31, 2023, close to the record of 1.81 million in 2018.
- ▶ From 2018 to 2022 unrestricted working capital has meaningfully increased by \$10.6 million.
- ▶ Long-term financial strength of the CZ&BG has improved between 2018 and 2022. During this period, net assets, with capital-related items excluded, increased by \$18.5 million, an indication the recent trend in overall long-term financial health is a favorable one.
- ▶ It is commendable that capital expansion over the recent levy period was not funded by long-term debt.

- ▶ Self-funding a high percentage of its direct operating expenses is a trend that has continued for the last two levy cycles. This is a strong indication that the CZ&BG are good stewards of the tax levy funds provided by Hamilton County.
- ▶ Our benchmarking analysis indicates that the CZ&BG has an excellent reputation on a local, regional, and national basis.
- ▶ The admission price at the CZ&BG is in line with that of comparable zoos, while its operating costs compare favorably to other Ohio zoos both in total and on a per admission basis. Further, the CZ&BG admission price appears to be quite reasonable when compared to prices for other regional entertainment attractions.

- ▶ Risk #1 - Salaries, wages and benefits now account for 76% of all operating expenses, dwarfing all other costs.
- ▶ Risk #2 - Inflationary pressures are expected to continue.
- ▶ Risk #3 - Dependence on revenues generated by historically high attendance to offset increasing fixed operating costs, unfunded capital reinvestment and maintenance could become unsustainable.
- ▶ Risk #4 - Management's annual budget for major maintenance projects and reinvestment, which has increased from \$2.5 million in 2018 to \$5 million today will continue to rise.
- ▶ Risk #5 - Current practice of funds being deployed for major maintenance projects, upgrades and refurbishments only after immediate needs have been met is lacking a strategic plan.

- ▶ Remove the stipulation that CZ&BG treat Hamilton County as "the payer of last resort".
- ▶ Continue the Hamilton County Resident Program requiring the CZ&BG provide Hamilton County Residents half-priced admission be continued and potentially expanded as part of the next Agreement with Hamilton County and the Zoological Society of Cincinnati.
- ▶ Develop a strategic long-term financial plan to cover the next levy period extending through the completion of any future expansions.
- ▶ A key provision of this long-term plan should be an increase in the Foundation controlled endowment to include a reserve for future required annual capital reinvestment to be addressed during the Mid Term review and one-year before the end of each five-year levy cycle.

Exhibit #2**Short Term Financial Strength Analysis - Unrestricted Working Capital**

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

Exhibit #3

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

Exhibit #4

Property and Equipment Analysis

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

Exhibit #12

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

Exhibit #43**ZOOLOGICAL SOCIETY OF CINCINNATI AND CINCINNATI ZOO FOUNDATION, INC.**

Qualifying Area Expenditures Paid By Levy vs. Internally Funded

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

Source: Zoo Management and County Records

Exhibit #11

Trend Analysis 2018 vs 2023

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

(A) Operating income excluding government COVID stimulus income, interest and depreciation.

Exhibit #40

Actual and Forecasted Operating Expenses for Cash Flow Analysis

		CZ&BG	CZ&BG	CZ&BG	CZ&BG
	Audited	Preliminary (1)	Forecasted (2)	Forecasted	Forecasted
	31-Mar	31-Mar	31-Mar	Increase	Increase
	2022	2023	2024	(Decrease)	(Decrease)
				2022 - 2023	2023 - 2024
Salaries and wages	\$ 19,322,277	\$ 21,019,873	\$ 23,090,430	8.79%	9.85%
Payroll taxes and benefits	5,301,551	6,632,815	7,095,456	25.11%	6.98%
Animal food	1,053,896	1,055,716	1,287,162	0.17%	21.92%
Operating supplies	4,522,847	4,701,767	5,343,310	3.96%	13.64%
Outreach	399,090	473,850	500,900	18.73%	5.71%
Membership Services	46,835	30,000	30,000	-35.95%	0.00%
Group sales	158,498	76,996	85,120	-51.42%	10.55%
Education programs	56,104	59,641	94,665	6.30%	58.72%
Special project costs	123,111	215,935	313,575	75.40%	45.22%
Professional services	600,049	356,000	333,500	-40.67%	-6.32%
Rent and maintenance	881,114	1,096,150	1,057,504	24.41%	-3.53%
Utilities	1,093,805	1,179,600	1,243,200	7.84%	5.39%
Insurance	1,213,130	1,200,000	1,224,000	-1.08%	2.00%
Interest	136,312	18,000	19,200	-86.79%	6.67%
Depreciation	8,122,374	8,100,000	8,400,000	-0.28%	3.70%
General expenses	2,226,959	2,856,547	2,967,415	28.27%	3.88%
	45,257,952	49,072,890	53,085,437	8.43%	8.18%
Interest	(136,312)	(18,000)	(19,200)	-86.79%	6.67%
Depreciation	(8,122,374)	(8,100,000)	(8,400,000)	-0.28%	3.70%
Operating Expenses	36,999,266	40,954,890	44,666,237	10.69%	9.06%

(1) The March 31, 2023 preliminary results are based on CZ&BG's internal records and are not expected to materially change when audited and finalized.

(2) The 2024 forecasted expenses were provided by the CZ&BG and in our opinion appear conservative in nature and reflect the considerable uncertainty regarding inflation and the ability to attract seasonal labor.

Exhibit #41

Five Year Projected operating income and cash flows With Zero Levy Increase for Inflation

	2025 THROUGH 2028						
	ATTENDANCE STABLE AT 1.73 MILLION						
	INFLATION - 3% REVENUE 3.5% EXPENSE PROJECTED FISCAL YEARS ENDED						
	Audited 12-months ended 3/31/2022	CZ&BG Preliminary 12-months ended 3/31/2023	CZ&BG Projected 12-months ended 3/31/2024	3/31/2025	3/31/2026	3/31/2027	3/31/2028
Attendance	<u>1,637,180</u>	<u>1,733,940</u>	<u>1,730,000</u>	<u>1,730,000</u>	<u>1,730,000</u>	<u>1,730,000</u>	<u>1,730,000</u>
Operating Revenues							
Admissions	12,167,369	11,822,513	12,177,000	12,542,000	12,918,000	13,306,000	13,705,000
Memberships	12,043,935	13,344,460	13,745,000	14,157,000	14,582,000	15,019,000	15,470,000
Attractions	1,269,285	1,308,043	1,347,000	1,387,000	1,429,000	1,472,000	1,516,000
Parking	1,359,826	1,359,923	1,401,000	1,443,000	1,486,000	1,531,000	1,577,000
Programs	909,192	1,672,093	1,722,000	1,774,000	1,827,000	1,882,000	1,938,000
Commissions (food & gift shop)	3,923,566	4,464,041	4,598,000	4,736,000	4,878,000	5,024,000	5,175,000
Rental income	717,211	697,718	719,000	719,000	719,000	719,000	719,000
Other income	1,705,883	2,009,359	2,070,000	2,132,000	2,196,000	2,262,000	2,330,000
Unrestricted Gifts	2,078,705	1,723,722	1,931,000	1,989,000	2,049,000	2,110,000	2,173,000
Designated Gifts and Grants	2,351,781	2,765,814	2,296,000	2,365,000	2,436,000	2,509,000	2,584,000
Sponsorships (Marketing & Events)	3,022,696	3,468,525	3,469,000	3,573,000	3,680,000	3,790,000	3,904,000
Tax Levy	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
	<u>48,549,449</u>	<u>51,636,211</u>	<u>52,475,000</u>	<u>53,817,000</u>	<u>55,200,000</u>	<u>56,624,000</u>	<u>58,091,000</u>
Operating Expenses	<u>36,999,266</u>	<u>40,954,890</u>	<u>44,666,200</u>	<u>46,230,000</u>	<u>47,848,000</u>	<u>49,523,000</u>	<u>51,256,000</u>
Operating income	11,550,183	10,681,321	7,808,800	7,587,000	7,352,000	7,101,000	6,835,000
Adjustments							
Investment income - operations	34,708						
Debt Service - Interest	(136,312)	(25,000)	(11,000)	(2,000)	(1,000)		
Debt Service - Principal (A)	(635,000)	(290,000)	(295,000)	(35,000)	(35,000)		
Endowment transfers to operations	993,780	1,064,832	1,097,000	1,130,000	1,164,000	1,199,000	1,235,000
Cash flow before unfunded capital reinvestment (B) (C)	<u>\$ 11,807,359</u>	<u>\$ 11,431,153</u>	<u>\$ 8,599,800</u>	<u>\$ 8,680,000</u>	<u>\$ 8,480,000</u>	<u>\$ 8,300,000</u>	<u>\$ 8,070,000</u>
Unfunded capital reinvestment (D)	<u>(2,847,046)</u>	<u>(6,373,078)</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Impact on Cash Position	<u>\$ 8,960,313</u>	<u>\$ 5,058,075</u>	<u>\$ 3,599,800</u>	<u>\$ 3,680,000</u>	<u>\$ 3,480,000</u>	<u>\$ 3,300,000</u>	<u>\$ 3,070,000</u>

(A) Debt service to be paid from operating funds.

(B) The CZ&BG estimates that \$5 million is needed annually to pay for unfunded capital reinvestment.

(C) The 2022 results are presented for analysis purposes only and do not include Government Stimulus Funds

(D) Unfunded capital reinvestment to existing infrastructure, based on available funds. \$5 Million is estimated long-term average. Actual expenditures will likely fluctuate greatly over time.



James Horkey, CPA/ABV, CFF

216-378-7214

james.horkey@hwco.cpa



Helen Weeber, CPA

216-859-9911

helen.weeber@hwco.cpa



Camille Ho-A-Lim, CPA

440-299-2078

camille.hoalim@hwco.cpa

Let's Talk