




# **Memphis Zoological Society**

## **Independent Auditor's Report, Financial Statements, and Supplementary Information**

June 30, 2024 and 2023



## Contents

<b>Board of Directors and Management Officials .....</b>	<b>1</b>
<b>Independent Auditor's Report.....</b>	<b>2</b>
<b>Financial Statements</b>	
Statements of Financial Position.....	5
Statement of Activities for the Year Ended June 30, 2024 .....	6
Statement of Activities for the Year Ended June 30, 2023 .....	8
Statement of Functional Expenses for the Year Ended June 30, 2024 .....	10
Statement of Functional Expenses for the Year Ended June 30, 2023 .....	11
Statements of Cash Flows .....	12
Notes to Financial Statements .....	13
<b>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 - Independent Auditor's Report .....</b>	<b>23</b>
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards and State Financial Assistance .....	25
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance .....	26
Schedule of Current and Prior Year Audit Findings .....	27

**Memphis Zoological Society  
Board of Directors and Management Officials**

---

**Memphis Zoological Society  
Board of Directors and Management Officials**

**Officers**

Jerry Shore, Chairman  
Dorothy Kirsch, Secretary  
David Hopkins, Treasurer  
Maria Leggett, Vice Chair  
Thomas Farnsworth, III, Past Chairman  
Diane Smith, Past Co-Chair

**Ex Officio**

Matt Thompson, President/CEO  
Gordon Bradley, Docent/Representative  
Dr. Jeff Warren, City Council Representative  
Prince Chambliss, City Representative

**Directors**

Justin Beard  
Bram Bores-Koefoed  
Lydia Bores-Koefoed  
Samantha Boggs Dean  
Dr. Joseph DeWane  
Delisa Eddings  
Steve Hutton  
James Jalenak  
Jason Maykowski  
Scott McCormick  
Jeff Savage  
Dr. Linda Tharp  
David Thornton  
Kelly Truitt  
Mario Walker  
George (Byrne) Whitehead

**Financial Officer**

Mary Ann Beil, CFO

## Independent Auditor's Report

Board of Directors  
Memphis Zoological Society  
Memphis, Tennessee

### ***Opinion***

We have audited the accompanying financial statements of Memphis Zoological Society (the "Society"), a component unit of the City of Memphis, Tennessee, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memphis Zoological Society as of June 30, 2024 and 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Memphis Zoological Society 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Society's ability to continue as a going concern for one year from the date the financial statements were available to be issued.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 Society'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 Society'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial report. The other information comprises the listing of Board of Directors and Management Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, on our consideration of the Society'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 Society'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 Society's internal control over financial reporting and compliance.

**Forvis Mazars, LLP**

**Memphis, Tennessee  
December 2, 2024**

**Memphis Zoological Society**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,103,288	\$ 6,302,837
Cash-restricted use	400,000	250,000
Investments	3,482,417	3,357,666
Pledges receivables, net	324,269	110,330
Inventories	466,735	418,835
Prepaid assets	927,571	939,076
Other assets	71,500	71,500
Other receivables	180,862	1,230,638
Due from Foundation	642,671	248,183
Receivable from City of Memphis	272,770	455,065
Operating right of use asset, net	125,464	-
Property, net	28,234	31,524
	<hr/>	<hr/>
Total assets	<u>\$ 9,025,781</u>	<u>\$ 13,415,654</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, trade	\$ 446,583	\$ 720,295
Accrued expenses	1,213,647	1,402,291
Accrued payroll	592,527	488,041
Deferred revenue	2,448,714	2,056,146
Operating lease liability	123,849	-
Notes payable	1,987,050	3,112,050
	<hr/>	<hr/>
Total liabilities	\$ 6,812,370	\$ 7,778,823
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	(2,888,824)	875,661
Board designated, construction	400,000	250,000
	<hr/>	<hr/>
	(2,488,824)	1,125,661
With donor restrictions	4,702,235	4,511,170
	<hr/>	<hr/>
Total net assets	<u>2,213,411</u>	<u>5,636,831</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 9,025,781</u>	<u>\$ 13,415,654</u>

**Memphis Zoological Society**  
**Statement of Activities**  
**Year Ended June 30, 2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Gains and Other Support</b>			
Operating revenue, gains and other support			
Gate admissions	\$ 7,703,701	\$ -	\$ 7,703,701
Membership income	3,643,765	-	3,643,765
Parking income	1,056,538	-	1,056,538
Retail income	3,525,745	-	3,525,745
Culinary income	4,711,920	-	4,711,920
Seasonal exhibit income	611,696	-	611,696
Rides income	418,788	-	418,788
Special events	3,111,861	-	3,111,861
Educational income	382,693	-	382,693
City management fee	1,200,000	-	1,200,000
Donations and bequests	199,979	-	199,979
Other income	99,902	-	99,902
Total operating revenue, gains, and other support	26,666,588	-	26,666,588
<b>Conservation Revenue</b>			
Donations and bequests	-	145,813	145,813
Total conservation revenue	-	145,813	145,813
<b>Capital Revenue</b>			
Donations and bequests, net of present value adjustment for pledges receivable	-	1,347,082	1,347,082
Investment gain, net	86,908	124,751	211,659
Total capital revenue	86,908	1,471,833	1,558,741
<b>Net Assets Released from Restrictions</b>			
Satisfaction of program restrictions	1,426,581	(1,426,581)	-
Total revenue, gains and other support	28,180,077	191,065	28,371,142



**Memphis Zoological Society**  
**Statement of Activities**  
**Year Ended June 30, 2024**

***(Continued)***

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Expenses</b>			
Program services			
Animal care and exhibits	10,631,072	-	10,631,072
Research and conservation	1,395,738	-	1,395,738
Education and outreach	1,023,187	-	1,023,187
Visitor services	3,888,364	-	3,888,364
Retail services	4,076,012	-	4,076,012
Culinary services	5,109,426	-	5,109,426
Support services			
Management and general	2,677,200	-	2,677,200
Fundraising, events and development	2,993,563	-	2,993,563
Total operating expenses	31,794,562	-	31,794,562
<b>Change in Net Assets</b>	(3,614,485)	191,065	(3,423,420)
<b>Net Assets, Beginning of Year</b>	1,125,661	4,511,170	5,636,831
<b>Net Assets, End of Year</b>	<u>\$ (2,488,824)</u>	<u>\$ 4,702,235</u>	<u>\$ 2,213,411</u>

**Memphis Zoological Society**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Gains and Other Support</b>			
Operating revenue, gains and other support			
Gate admissions	\$ 7,407,806	\$ -	\$ 7,407,806
Membership income	3,830,442	-	3,830,442
Parking income	1,039,157	-	1,039,157
Retail income	3,517,676	-	3,517,676
Culinary income	4,853,747	-	4,853,747
Seasonal exhibit income	392,684	-	392,684
Rides income	307,088	-	307,088
Special events	1,934,884	-	1,934,884
Educational income	384,123	-	384,123
Grant income	419,073	-	419,073
City management fee	1,200,000	-	1,200,000
Donations and bequests	1,095,877	-	1,095,877
Other income	7,485	-	7,485
Total operating revenue, gains, and other support	26,390,042	-	26,390,042
<b>Conservation Revenue</b>			
Donations and bequests	-	15,488	15,488
Total conservation revenue	-	15,488	15,488
<b>Capital Revenue</b>			
Donations and bequests, net of present value adjustment for pledges receivable	-	1,698,512	1,698,512
Investment loss, net	-	270,758	270,758
Total capital revenue (loss)	-	1,969,270	1,969,270
<b>Net Assets Released from Restrictions</b>			
Satisfaction of program restrictions	721,855	(721,855)	-
Total revenue, gains and other support	27,111,897	1,262,903	28,374,800

**Memphis Zoological Society**  
**Statement of Activities**  
**Year Ended June 30, 2023**

***(Continued)***

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Expenses</b>			
Program services			
Animal care and exhibits	10,614,605	-	10,614,605
Research and conservation	1,446,594	-	1,446,594
Education and outreach	1,942,916	-	1,942,916
Visitor services	2,459,512	-	2,459,512
Retail services	3,812,555	-	3,812,555
Culinary services	3,250,184	-	3,250,184
Support services:			
Management and general	1,928,920	-	1,928,920
Fundraising, events and development	3,916,964	-	3,916,964
Total operating expenses	29,372,250	-	29,372,250
<b>Contribution of Assets to Foundation</b>	7,735,298		7,735,298
<b>Change in Net Assets</b>	(9,995,651)	1,262,903	(8,732,748)
<b>Net Assets, Beginning of Year</b>	11,121,312	3,248,267	14,369,579
<b>Net Assets, End of Year</b>	\$ 1,125,661	\$ 4,511,170	\$ 5,636,831

**Memphis Zoological Society**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	<b>Animal Care and Exhibits</b>	<b>Research and Conservation</b>	<b>Education and Outreach</b>	<b>Visitor Services</b>	<b>Retail Services</b>	<b>Culinary Services</b>	<b>Management and General</b>	<b>Fundraising, Events and Development</b>	<b>Total</b>
Salaries	\$ 5,069,436	\$ 647,328	\$ 642,653	\$ 1,896,220	\$ 1,167,090	\$ 1,556,826	\$ 1,147,138	\$ 928,704	\$ 13,055,395
Benefits	951,260	113,723	106,723	327,798	155,378	225,258	178,147	143,743	2,202,030
Outside services and professional fees	547,187	85,930	57,889	683,800	123,629	229,132	384,875	364,061	2,476,503
Shipping and delivery	61,683	1,588	98	977	300	634	3,377	1,656	70,313
Food and beverage	8,663	348	1,930	5,829	629	879	4,055	1,634	23,967
Bank charges	673	672	20,855	306,904	100,643	135,904	35,437	26,496	627,584
Information technology	96,892	52,283	32,885	88,093	54,487	80,812	224,982	124,451	754,885
Insurance	82,355	6,177	6,177	10,294	16,471	26,766	51,472	6,177	205,889
Animal nutrition	1,073,583	525	-	-	-	-	-	1,435	1,075,543
Supplies and equipment	892,864	138,511	84,665	346,364	162,132	222,132	147,154	1,124,603	3,118,425
Depreciation	-	3,289	-	-	-	-	-	-	3,289
Repairs and maintenance	195,127	6,923	3,793	78,859	35,808	55,970	90,310	6,241	473,031
Travel and meals	124,837	40,394	24,710	21,488	7,536	9,129	20,983	23,835	272,912
Utilities	528,097	41,303	39,607	66,012	105,619	171,632	330,061	39,607	1,321,938
Cost of goods sold	-	490	-	-	1,196,647	1,526,598	-	25,551	2,749,286
Conservation and grant activities	300	254,070	-	-	-	-	-	-	254,370
Capital improvements	992,963	-	-	52,463	750,290	627,142	58,350	173,650	2,654,858
Federal and state income taxes	-	-	-	-	-	237,864	-	-	237,864
Other	5,152	2,184	1,202	3,263	199,353	2,748	859	1,719	216,480
<b>Total expenses</b>	<b>\$ 10,631,072</b>	<b>\$ 1,395,738</b>	<b>\$ 1,023,187</b>	<b>\$ 3,888,364</b>	<b>\$ 4,076,012</b>	<b>\$ 5,109,426</b>	<b>\$ 2,677,200</b>	<b>\$ 2,993,563</b>	<b>\$ 31,794,562</b>

**Memphis Zoological Society**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	<b>Animal Care and Exhibits</b>	<b>Research and Conservation</b>	<b>Education and Outreach</b>	<b>Visitor Services</b>	<b>Retail Services</b>	<b>Culinary Services</b>	<b>Management and General</b>	<b>Fundraising, Events and Development</b>	<b>Total</b>
Salaries	\$ 5,128,797	\$ 511,329	\$ 1,399,858	\$ 1,148,826	\$ 1,373,077	\$ 1,107,093	\$ 834,511	\$ 1,029,159	\$ 12,532,650
Benefits	990,882	93,670	247,554	179,596	216,843	161,813	142,837	157,481	2,190,676
Outside services and professional fees	559,663	31,963	60,508	328,350	182,823	202,971	241,403	489,603	2,097,284
Shipping and delivery	16,505	2,087	2,142	6,661	77,157	3,764	5,166	7,468	120,950
Food and beverage	4,738	64	3,989	2,301	171	8,967	1,821	9,047	31,098
Bank charges	1,546	150	20,953	9,656	401,160	78,783	22,112	2,100	536,460
Information technology	146,326	13,415	34,765	103,224	35,774	76,622	53,443	245,214	708,783
Insurance	237,791	8,069	18,828	59,174	21,518	32,277	24,207	21,518	423,382
Animal nutrition	1,140,939	9,382	21,891	68,800	25,018	37,527	28,146	25,018	1,356,721
Supplies and equipment	958,027	57,112	66,179	117,092	80,917	99,170	96,721	1,361,870	2,837,088
Depreciation	3,289	-	-	-	-	-	-	-	3,289
Repairs and maintenance	196,893	4,538	9,373	46,630	26,671	52,800	34,120	29,014	400,039
Travel and meals	103,564	41,875	30,836	29,080	11,369	14,476	18,522	31,015	280,737
Utilities	951,200	-	-	-	-	-	406,973	-	1,358,173
Cost of goods sold	-	609	-	4,358	1,142,176	1,121,336	-	269,995	2,538,474
Conservation and grant activities	-	653,393	-	-	-	-	-	219,392	872,785
Capital improvements	170,668	18,938	26,040	355,764	35,697	18,938	18,938	18,938	663,921
Federal and state income taxes	-	-	-	-	-	232,948	-	-	232,948
Other	3,777	-	-	-	182,184	699	-	132	186,792
<b>Total expenses</b>	<b>\$10,614,605</b>	<b>\$1,446,594</b>	<b>\$ 1,942,916</b>	<b>\$ 2,459,512</b>	<b>\$ 3,812,555</b>	<b>\$ 3,250,184</b>	<b>\$ 1,928,920</b>	<b>\$ 3,916,964</b>	<b>\$ 29,372,250</b>

**Memphis Zoological Society**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Operating Activities</b>		
Change in net assets	\$ (3,423,420)	\$ (8,732,748)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	3,289	3,289
Unrealized gain on investments, net	(107,005)	(166,919)
Transfer of asset to Foundation	-	7,735,298
Change in operating assets and liabilities		
Pledges receivable	(213,939)	(110,330)
Receivable from City of Memphis	182,295	231,274
Receivable from Foundation	(394,488)	-
Inventories	(47,900)	(77,712)
Operating leases	(1,615)	-
Other assets	1,061,282	(1,007,451)
Accounts payable and accrued expenses	(357,870)	(450,443)
Deferred revenue	392,568	(202,042)
Total adjustments	516,617	5,954,964
Net cash used in operating activities	(2,906,803)	(2,777,784)
<b>Investing Activities</b>		
Purchases of investments	(5,696,612)	(2,559,482)
Proceeds on sales of investments	5,678,866	2,455,643
Net cash used in investing activities	(17,746)	(103,839)
<b>Financing Activities</b>		
Repayments on note payable	(1,125,000)	(1,031,250)
Proceeds from notes payable	-	1,773,193
Net cash provided by (used in) financing activities	(1,125,000)	741,943
Net decrease in cash and cash equivalents	(4,049,549)	(2,139,680)
<b>Cash and Cash Equivalents, Beginning of Year</b>	6,552,837	8,692,517
<b>Cash and Cash Equivalents, End of Year</b>	\$ 2,503,288	\$ 6,552,837
<b>Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 2,103,288	\$ 6,302,837
Cash - restricted use	400,000	250,000
<b>Cash and Cash Equivalents, End of Year</b>	\$ 2,503,288	\$ 6,552,837
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 197,636	\$ 182,185

## **Note 1. Summary of Significant Accounting Policies**

### ***Organization Purpose***

The purpose of the Memphis Zoological Society (the "Society") is to manage and support the Memphis Zoo and Aquarium (the "Zoo") in its efforts to preserve wildlife through education, conservation and research. All land, buildings, exhibits and other physical assets used by the Society are the property of the City of Memphis (the "City").

### ***Basis of Presentation***

The financial statements of the Society have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require the Society to report information regarding its financial position and activities according to the following net asset classifications:

#### ***Net Assets without Donor Restrictions***

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Society's management and the board of directors.

#### ***Net Assets with Donor Restrictions***

Net assets subject to stipulations imposed by donor and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

### ***Revenue Recognition***

Contributions are recognized as revenue when they are received or unconditionally pledged. The Society reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When the purpose for which an asset was restricted has been accomplished, or a time restriction has expired, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions. Support that has donor restrictions is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

The Society reports gifts of assets as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At June 30, 2024 and 2023, there were no conditional contributions.

Government grants are recognized as revenue over time as related expenses are incurred. Contract assets represent expenditures in excess of grant funds received under specific grants. Contract liabilities or deferred revenue represent funds received in excess of qualifying expenditures.

Membership revenue is recognized as performance obligations are satisfied over time, typically one year. Unearned memberships are reflected as deferred revenue. Gate admissions, retail, special event, and culinary sales revenue is recognized at the point of sale or when the event occurs.

### ***Cash and Cash Equivalents***

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased.

### ***Investment Valuation and Income Recognition***

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements. Adjustments to fair value are recognized in the statement of activities as with donor or without donor restrictions, as stipulated by the donor. Although the Society has a policy to maintain a diversified investment portfolio, these investments are subject to market and credit risks which may be affected by economic developments in a specific geographic region or industry.

### ***Inventories***

Merchandise inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

### ***Pledges Receivable***

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue. An allowance for credit losses is recorded based upon management's estimate of uncollectible accounts, determined by analysis of specific pledge accounts. Past due balances and delinquent receivables are charged against the allowance, or written off to bad debt expense, when they are determined to be uncollectible by management.

### ***Property***

Depreciation, which was \$3,289 in both fiscal 2024 and 2023, is computed using the straight-line method. Accumulated depreciation was \$70,449 and \$67,159 as of June 30, 2024 and 2023, respectively. Property and equipment are recorded at cost, if purchased, or at fair value at the date of gift, if donated. Expenditures that extend the remaining useful lives of property are capitalized and the cost of routine maintenance and repairs is charged to expense as incurred. As discussed in Note 2, the Farmland, Farmhouse, equipment, and related improvements, previously held by the Society, were contributed to the Foundation on July 1, 2022. All land, buildings, exhibits and other physical assets used by the Society are the property of the City and capital improvements related to these assets are expensed as incurred.

### ***Leases***

The Society determines if an arrangement is a lease or contains a lease at inception. Long term leases result in the recognition of right of use assets ("ROU") and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Society determines lease classification as operating or finance at the lease commencement date. The Society combines lease and non-lease components in calculating the ROU assets and lease liabilities for its office space. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid, or deferred rent, and lease incentives. The Society has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all operating lease liabilities or the implicit rate in the lease if it is readily determinable. The risk-free rate is determined using a period comparable with the lease term. The lease term may include options to extend or to terminate the lease that the Society is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Society has elected not to record leases with an initial



**Memphis Zoological Society**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

---

term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term. Straight line rent expense under operating ROU assets was \$10,908 for the year ended June 30, 2024. The Society did not have any material leases as of June 30, 2023.

***Income Taxes***

The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and similar Tennessee law and has been determined to be an organization which is not a private foundation. However, the Society is subject to unrelated income taxes for certain culinary activities. Federal income tax expense of \$181,161 and \$177,888, and state income tax expense of \$56,703 and \$55,060 have been recognized in culinary expenses in the statements of activities for the years ended June 30, 2024 and 2023, respectively. The Society has determined that it does not have any material uncertain tax positions as of June 30, 2024 or June 30, 2023.

***Taxes Collected from Customers and Remitted to Governmental Authorities***

The Society records revenue exclusive of any applicable sales and other related revenue transaction taxes (net method).

***Donated Services***

The Society receives donated services from volunteers. The value of these services is not recognized in the financial statements since they do not meet the criteria specified by GAAP.

***Use of Estimates***

The process of preparing financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

***Functional Expense Allocation***

The cost of providing various programs and supporting services have been reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services based on estimates made by management. The expenses that are allocated include utilities and insurance, which are allocated on a square-footage basis, as well as salaries, benefits, information technology and other services, which are allocated based on estimates of time and effort.

***Advertising***

The Society expenses the costs associated with advertising as incurred. Amounts charged to advertising expense for fiscal 2024 and 2023 were approximately \$522,000 and \$407,000, respectively.

***Employee Retention Credit***

During fiscal 2024, the Society applied for the Employee Retention Credit (ERC), a refundable payroll tax credit available to organizations who experience either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts. The Society believes that it qualifies for ERC of approximately \$3,000,000 related primarily to suspension of business operations. The Society accounts for the ERC credit as a government grant in accordance with ASC Topic 958-605 and will recognize the revenue when all conditions or barriers to entitlement are substantially met. No amount of ERC revenue was recognized in 2024.

***Concentration and Risks***

The Society has concentrations of credit risk with certain financial institutions in the form of bank cash in excess of federally insured limits.

### ***Adoption of New Accounting Standard***

Effective July 1, 2023, the Society adopted Accounting Standards Update (“ASU”) 2016-13, Financial Instruments – Credit Losses (Topic 326) (“ASC 326”). This guidance, commonly referred to as Current Expected Credit Losses (“CECL”), significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Society that are subject to the guidance in ASC 326 are accounts receivable and pledges receivable. The adoption had no impact to the financial statements.

### ***Subsequent Events***

The Society has evaluated the effect subsequent events would have on the financial statements through December 2, 2024, which is the date the financial statements were available to be issued.

## **Note 2. Contributions to Foundation**

The Memphis Zoological Foundation (the “Foundation”) was established to operate as a charitable foundation which shall include, but not be limited to, providing financial support for the Society, and ensuring the continuity of the Zoo. The Foundation is a separately board governed corporation organized to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Certain members of the Society’s management currently serve on the Board of the Foundation. The accounts of the Foundation are excluded from the financials statements of the Society. The Society transferred the following assets to the Foundation effective July 1, 2022:

Investments	\$ 5,933,981
Farm, equipment, and related improvements	1,578,635
Pledges receivable	<u>222,682</u>
	<u>\$ \$7,735,298</u>

## **Note 3. Availability and Liquidity**

The following represents the Society’s financial assets available for general expenditure within one year of the statements of financial position dates as of June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents, including restricted use	\$ 2,503,288	\$ 6,552,837
Accounts receivable, net	180,862	1,230,638
Pledges receivable, net	324,269	110,330
Receivable from the City of Memphis	272,770	455,065
Due from Foundation	642,671	248,183
Investments	<u>3,482,417</u>	<u>3,357,666</u>
Total financial assets	<u>7,406,277</u>	<u>11,954,719</u>

**Memphis Zoological Society**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

Less amounts not available to be used within one year		
Board designated net assets	400,000	250,000
Net assets with donor restrictions	<u>4,702,235</u>	<u>4,511,170</u>
	<u>5,102,235</u>	<u>4,761,170</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,304,042</u>	<u>\$ 7,193,549</u>

Management's goal is to maintain minimum cash and cash equivalents sufficient to meet 25% of annual operating expenses.

Due to operating losses and capital spending the Society's cash and cash equivalents are below the above stated goal, and the Society has a deficit balance for unrestricted net assets of \$2,488,824 as of June 30, 2024. Management plans a focused year end giving campaign to raise funds for operational support to replenish cash reserves and unrestricted net assets. Management also obtained a \$1,500,000 bank line of credit subsequent to year end (Note 7).

#### **Note 4. Pledges Receivable**

Pledges receivable at June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Due in		
Less than one year	\$ 102,500	\$ 37,500
One to five years	<u>232,500</u>	<u>75,000</u>
	335,000	112,500
Present value discount of pledges	<u>(10,731)</u>	<u>(2,170)</u>
	<u>\$ 324,269</u>	<u>\$ 110,330</u>

Pledge receivables are discounted at rates ranging between 1.52% and 2.11%. Pledges receivable comprises three donations for various projects in 2024 and one donation for the animal hospital in 2023.

#### **Note 5. Fair Value Measurement**

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

There were no changes in fiscal 2024 or 2023 to the Society's valuation techniques used to measure asset and liability fair values on a recurring basis.

**Memphis Zoological Society**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

***Mutual Funds***

Mutual funds are publicly traded investments and are valued daily at the closing price reported on the active market on which the funds are traded.

***Exchange Traded Funds***

Exchange traded funds are publicly traded investments and are valued continuously on the active market on which the funds are traded.

The following table sets forth by level, within the fair value hierarchy, the Society's financial assets and liabilities accounted for at fair value on a recurring basis. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Society's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and their placement within the fair value hierarchy levels.

<b>June 30, 2024</b>				
<b>Fair Value Measurements Using</b>				
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Exchange traded funds	\$ 1,919,006	\$ 1,919,006	\$ -	\$ -
Mutual funds – money market	253,760	253,760	-	-
Mutual funds – fixed income	850,600	850,600	-	-
Mutual funds – equity	459,051	459,051	-	-
Total assets in the fair value hierarchy	<u>\$ 3,482,417</u>	<u>\$ 3,482,417</u>	<u>\$ -</u>	<u>\$ -</u>

<b>June 30, 2023</b>				
<b>Fair Value Measurements Using</b>				
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Exchange traded funds	\$ 2,035,498	\$ 2,035,498	\$ -	\$ -
Mutual funds – money market	207,123	207,123	-	-
Mutual funds – fixed income	758,661	758,661	-	-
Mutual funds – equity	356,384	356,384	-	-
Total	<u>\$ 3,357,666</u>	<u>\$ 3,357,666</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 6. Investment Income (loss)**

Investment income consists of the following:

	<b>2024</b>	<b>2023</b>
Interest and dividend income, net of expenses	\$ 104,654	\$ 102,352
Realized and unrealized gains	<u>107,005</u>	<u>168,406</u>
	<u>\$ 211,659</u>	<u>\$ 270,758</u>

Changes in the net unrealized market appreciation or depreciation during the year pertaining to investments owned on the last day of the year are included in investment income in the statements of activities. Realized gains or losses

**Memphis Zoological Society**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

---

on the sale of investments represent the difference between the proceeds received and the cost of the investments sold and are calculated based on the first-in, first-out method.

**Note 7. Line of Credit**

The Society obtained a line of credit with a bank on April 10, 2020, with a total borrowing limit of \$2,500,000. The line bore interest at the prime rate plus 1% (3.75% at June 30, 2022) and originally expired on October 31, 2021. The credit line was renewed during fiscal 2022 through October 31, 2022. The line was closed at the time of expiration.

Subsequent to year end, the Society obtained a new line of credit with a bank in the amount of \$1,500,000, which was available on October 7, 2024, and maturing of October 7, 2025.

**Note 8. Notes Payable**

***Construction Loan***

In June 2021, the Society entered into a loan agreement with a financial institution for purposes of funding the construction of a splash pad. The loan allows maximum borrowings up to \$4,500,000 and bears interest at a floating SOFR index plus 2.24% (7.56% at June 30, 2024). The loan has a floating 5 year maturity with 12 months of interest only payments followed by 48 monthly installments of principal in the amount of \$93,750 plus accrued interest beginning on July 5, 2022, and a final payment of any outstanding principal plus accrued interest through maturity on July 5, 2026. Amounts outstanding under this loan were \$1,987,050 and \$3,112,050 as of June 30, 2024, and 2023, respectively. Principal maturities are as follows:

2025	\$ 1,125,000
2026	<u>862,050</u>
	<u>\$ 1,987,050</u>

The Society incurred interest expense under this agreement of approximately \$197,636 and \$182,185 in 2024 and 2023, respectively.

Under the terms of this agreement, the Society is required to meet certain financial covenants. The Society was not in compliance with these covenants as of June 30, 2024, but management obtained a waiver from the financial institution covering the waiver period ending June 30, 2024.

Subsequent to year end, the Society obtained an additional \$1,000,000 promissory note dated September 16, 2024, for the construction of a new venue and attraction, of which \$455,000 has been drawn down.

## **Note 9. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2024</u>	<u>2023</u>
Time restrictions	\$ 207,006	\$ 189,260
Purpose restrictions:		
Conservation	185,227	118,913
Capital improvements	1,034,591	1,034,591
Endowment funds not subject to appropriation or expenditure	<u>3,275,441</u>	<u>3,168,406</u>
	<u>\$ 4,702,265</u>	<u>\$ 4,511,170</u>

Net assets of \$1,426,581 and \$721,855 were released from donor restrictions in fiscal 2024 and 2023, respectively, by incurring expenses in accomplishment of the restrictive purposes.

## **Note 10. Endowment**

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

At June 30, 2024 and 2023, Net assets with donor restrictions consist of one general endowment fund which represents the principal amount of gifts and bequests accepted with the donor stipulation that the principal be maintained intact in perpetuity. Income from these investments was reinvested and income may then be expended for general purposes, subject to any constraints in gift instruments. By virtue of the terms of the endowment agreement, if, in any year, the earnings from the endowment fund are not expended, the earnings are to be added to the principal of the endowment. Investment losses also reduce the endowment principal.

If the earnings of the endowment investments, in any given fund year, are less than five percent of the average fair value of such investments, the endowment agreement stipulates that up to five percent of the principal may be drawn for use in general operations of the Society. Since its inception, no endowment principal has been drawn in such a manner.

The Society obtained an addendum to a donor agreement, which authorized the release of accumulated earnings in excess of the original \$3,000,000. During fiscal year 2022, The Board established the Sustaining Endowment Fund to hold and spend these excess funds. The original \$3,000,000, plus the associated accumulated earnings is maintained in the Maintenance Endowment Fund. The amended donor agreement resulted in \$7,258,679 being recharacterized as unrestricted board designated funds. The \$3,000,000 original contribution remains permanently restricted.

**Memphis Zoological Society**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

The Sustaining Endowment Fund supports programs and services as needed for the future continued growth and charitable causes of the Memphis Zoo. The Maintenance Endowment Fund stipulates that the principal be maintained intact in perpetuity and its earnings be used for annual repairs and maintenance expenditures and program support of the Memphis Zoo.

Spending shall only be for the purposes specified and guided by each Endowment Fund's endowment agreement, the Society's Board and all applicable state and federal regulations pertaining to such disbursement, and any potential restrictions by future donors.

The Society has adopted investment and spending policies for its endowment assets that are intended to grow the principal through capital appreciation (realized and unrealized), with a moderate level of investment risk. The Society uses a professionally managed asset allocation of primarily equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The primary investment objective of the Sustaining Endowment Fund is to provide long term growth of capital sufficient to meet certain current and future spending obligations and to protect the Sustaining Endowment Fund from the long-term effects of inflation. To achieve its investment objectives, the Sustaining Endowment Fund acknowledges that risk tolerance and diversification are overriding guiding principles and that the primary objectives of diversification across uncorrelated asset classes are to enhance long term total return and reducing portfolio volatility.

The primary investment objective of the Maintenance Endowment Fund is to provide its income earnings for annual repairs and maintenance and program support, and the secondary objective is to achieve moderate long term growth of capital. To achieve its investment objectives, The Maintenance Endowment Fund acknowledges that income generation, risk tolerance and diversification are overriding guiding principles for the Maintenance Endowment.

As discussed in Note 2, the Sustaining Endowment fund was transferred to the Foundation on July 1, 2022. The following table sets forth by asset class the changes in the Society's endowment for 2024 and 2023:

	<b><u>Donor Restricted</u></b>	<b><u>Board Designated</u></b>	<b><u>Total</u></b>
Endowment net assets, June 30, 2022	\$ 3,000,000	\$ 6,156,663	\$ 9,156,663
Investment return			
Investment income, net	102,352	-	102,352
Change in fair value	168,406	-	168,406
Changes in net assets	<u>270,758</u>	<u>-</u>	<u>270,758</u>
Investment income available for general purposes	<u>(102,352)</u>	<u>-</u>	<u>(102,352)</u>
Transfer to foundation	<u>-</u>	<u>(6,156,663)</u>	<u>(6,156,663)</u>
Endowment net assets, June 30, 2023	<u>3,168,406</u>	<u>-</u>	<u>3,168,406</u>
Investment return			
Investment income, net	104,654	-	104,654
Change in fair value	107,005	-	107,005
Changes in net assets	<u>211,659</u>	<u>-</u>	<u>211,659</u>
Investment income available for general purposes	<u>(104,654)</u>	<u>-</u>	<u>(104,654)</u>
Endowment net assets, June 30, 2024	<u>\$ 3,275,411</u>	<u>\$ -</u>	<u>\$ 3,275,411</u>

## **Note 11. Retirement Plan**

The Society sponsors a defined contribution retirement plan (the "401(k) Plan") covering employees meeting certain age and service requirements. The Society has the option to make matching contributions to the Plan on behalf of each participant. Society matching contributions to the 401(k) Plan were approximately \$329,000 and \$309,000 for fiscal 2024 and 2023, respectively. In addition to these matching amounts, the Society recorded a Qualified Non-Elective Contribution ("QNEC") payable of approximately \$253,000 at June 30, 2024 and 2023, related to corrections in employee deferrals. The QNEC, which is immediately 100% vested to the employees, will be paid immediately upon IRS approval of the application for voluntary correction. Subsequent to year end, the Society received notice that the QNEC correction was accepted by the IRS. The amount is expected to be paid in full during fiscal 2025.

## **Note 12. Related Party Transactions**

Zoo capital improvements of \$2,654,858 and \$663,921, as reflected in the statement of functional expenses, were contributed by the Society to the City during fiscal 2024 and 2023, respectively.

The Society received management fees from the City in the amount of \$1,200,000 during fiscal 2024 and 2023. Additionally, the Society reimburses the City for costs the City pays on behalf of the Society including certain utilities and certain personnel costs. The net receivable from the City was \$272,770 and \$455,065 at June 30, 2024 and 2023, respectively.

As discussed in Note 2, the Society transferred assets to the Foundation during the year. The Society also has a due from the Foundation of \$642,671 and \$248,183, at June 30, 2024 and 2023, respectively, for various operating and capital expenditures. The Foundation leases certain real estate to a member of the Society's management under a lease and services agreement. The agreement provides for monthly lease payments in the amount \$2,000, less \$800 consideration for general management and oversight of the property. This agreement can be renewed or terminated by either party on the lease anniversary date. Capital expenditures for fiscal year 2024 include \$54,500 paid for construction services to a company owned by a board member.

## **Note 13. Commitments and Contingencies**

The Society has committed to a plan to construct additional parking areas. Per City Council resolution, the cost is to be split evenly between the Society and the Overton Park Conservancy. The Society's estimated portion is \$1,500,000. The resolution also required the Society to set aside \$1,000,000 for construction cost. The Society made payments totaling \$750,000 to the City of Memphis during fiscal 2020, leaving \$250,000 as restricted cash and board designated funds at June 30, 2023. On November 21, 2022, management executed a Memorandum of Understanding between the City, Overton Park Conservancy, and the Society, whereby the Society will reimburse the Overton Park Conservancy for \$400,000 paid for improvements to parking on McLean Boulevard, and the City and the Society shall complete all improvements on the main parking lot. The Society will also receive additional land and improvements for their parking from the City's maintenance areas. The Society expects to satisfy its' obligations under this agreement by fiscal 2025. During fiscal 2024, it was determined that this agreement superseded the former resolution resulting in \$400,000 being recorded as restricted cash and board designated funds at June 30, 2024.

The Society is, from time to time, involved in various legal matters arising during the normal course of operations. Management does not expect the impact of the resolution of these legal matters to have a material effect on the financial position, results of activities or cash flows of the Society.



## **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***

### **Independent Auditor's Report**

Board of Directors  
Memphis Zoological Society  
Memphis, Tennessee

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 Memphis Zoological Society (the "Society"), a component unit of the City of Memphis, Tennessee, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows and the related notes to the financial statements for the year then ended, and have issued our report thereon dated December 2, 2024.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Society'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 Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society'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 Society's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 the 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 or significant deficiencies may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Society'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 Society'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 Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Forvis Mazars, LLP**

**Memphis, Tennessee  
December 2, 2024**

**Memphis Zoological Society**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended June 30, 2024**

<u>Federal Agency</u>	<u>Federal Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>Federal Awards</b>			\$ -
U.S. Dept. of Agriculture			
United States Forest Service			
Stewardship Agreement			
Kisatchie National Forest -			
Louisiana Pine Snake	N/A	19-SA-11080600-253	\$ 149,498
<b>Total Federal Awards</b>			<u>\$ 149,498</u>

**Memphis Zoological Society**  
**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**June 30, 2024 and 2023**

---

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Memphis Zoological Society and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Society has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

**Note 1. Financial Statement Findings**

**Current Year Findings**

There was no current year findings reported.

**Prior Year Findings**

There was no prior year findings reported.