Report to the Hamilton County Tax Levy Review Committee

Performance Review of The Cincinnati Zoo and Botanical Garden

Final Report
May 17, 2013

HW&Co.
Howard, Wershbale & Co.
CPAs & Advisors

Presented by:

James M. Horkey, CPA, ABV CFF
Principal, Howard, Wershbale and Co.

Gregory D. Friedman, CPA
President, GDF Consulting LLC

23240 Chagrin Blvd., Suite 700, Cleveland OH 44122 . P: 216.831.1200 ~ F: 216.831.1842
460 Polaris Parkway, Suite 300, Columbus OH 43082 . P: 614.794.8710 ~ F: 614.794.8712

Report to the Hamilton County Tax Levy Review Committee
Performance Review of The Cincinnati Zoo and Botanical Garden

Table of Contents

		Page
I.	Overview of Engagement	1
II.	Executive Summary of Major Conclusions and Observations	2
III.	Recent History and Overview of CZ&BG's operations	4
IV.	Corporate Structure	7
V.	Organizational Structure	9
VI.	Operations Analysis	11
	• Effectiveness of Strategic Planning	
	• Review of Insurance Coverage	
	• Review of Major Contracts	
	• Review of Past Performance Studies, Accreditation Reviews and Internal Reports	
	• Cash Management Policies and Procedures	
VII.	Benchmarking Analysis	29
VIII.	Financial Analysis	43
	• Review of Past Financial Statements and Analysis of Trends	
	• Balance Sheet Analysis	
	• Short-term Financial Strength	
	• Long-term Financial Strength	
	• Capital Additions	
	• Review and Analysis of Major Maintenance Expenditures	
	• Capital Projects Budget and Cash Flow	
	• Bank and Bond Debt Analysis	
	• Notes and Bonds Payable	
	• Operating Results and Change in Net Assets	
	• Operating Revenues and Attendance	
	• Analysis of Past and Present Sources of Funding (Gifts, Grants, and Donations)	
	• Alternative Sources of Funding Utilized Before Tax Levy Usage	
	• Endowment Fund Activity	
	• Investment Income	
	• Review of Past CZ&BG Tax Levy Information	
	• Operating Expenses	
	• Review and Analysis of Expenses by Department	
	• Interest and Depreciation	
	• Five-year Revenue and Expenditure Projection over the term of the Upcoming Levy Period	

Table of Contents, continued

		Page
IX.	Possible Threats to CZ&BG during the Next Tax Levy Period	86
X.	Summary of Findings	88
XI.	Recommendations	91
XII.	Appendices:	93

- Appendix A: A Summary of Audited Financial Statements
- Appendix B: 2013 Cash Handling Policies/Procedures
- Appendix C: Overview of CREW Program
- Appendix D: Benchmarking Data
- Appendix E: CZ&BG's Updated Response to The Decosimo Report
- Appendix F: Social Media and Digital Enhancement Growth Summary
- Appendix G: CZ&BG Levy Renewal

Exhibits

Exhibit Number		Page
1	Qualifying Area Expenditures Paid by Levy vs. Internally Funded	15
2	Contract Analysis--The Concessionaire Agreement	17
3	Contract Analysis--The Concessionaire Agreement: Annual Guarantee	17
4	CZ&BG Purchases Solar Array Pre Contract Cash Flow Analysis Assuming Purchases in Year 8	20
5	Solar Array Electrical Power Purchase Price	21
6	Benchmarking - Peer Group Analysis	31
7	Benchmarking Analysis-Cincinnati Area Attractions	32
8	CZ&BG Direct Operating Revenues per Admission vs. Consumer Price Index	33
9	CZ&BG-Trend Analysis	33
10	Direct Operating Revenues vs. Direct Operating Expenses Cumulative Percentage Change Analysis 2008-2011	34
11	Table: Cumulative Percentage Change in Direct Operating Revenues vs. Cumulative Percentage Change in Direct Operating Expenses Calendar Years 2008-2011	35
12	CZ&BG Direct Net Operating Loss per Admissions vs. Total Admissions Cumulative Percentage Change Analysis 2007-2011	36
13	Table: Direct Net Operating Loss per Admission vs. Total Attendance Cumulative Percentage Change Calendar Years 2007-2011	37
14	CZ&BG Executive Compensation Analysis	40
15	Annual Levy Support for Ohio Zoos Comparison Analysis	42
16	Short-Term Financial Strength Analysis	44
17	Long-Term Financial Strength Analysis	46
18	Property and Equipment Analysis	47
19	Capital Expenditures & Major Maintenance Five Year History 2007-2011	48
20	Major Maintenance and Surplus Projects 2009-2011	49
21	Our Zoo, Our Community, Our World Cash Flow Projection as of 12/31/12	51
22	OZOCOW - Africa Budget as of 12/31/12	52
23	CZ&BG Bond and Note Debt Amortization Schedule	53
24	Operating Income (Loss) Analysis	55
25	Direct Operating Income (Loss) Analysis by Department	57
26	Direct Operating Income (Loss) Analysis by Admission	59
27	Attendance Analysis	60
28	Operating Revenue Analysis	61
29	Park Operating Revenue Per Admission	62
30	Revenue Variance Analysis	63
31	Gifts, Grants & Donations Analysis	64
32	Gifts, Grants & Donations 2008-2012 Totals and Averages	65
33	Endowment Fund Summary of Activity	67
34	Endowment Fund Summary of Restricted vs. Unrestricted Fund Balances	68
35	Investment Income Analysis	68
36	Tax Levy Funding Analysis	69
37	Tax Levy Revenue Per Admission	69
38	Salaries and Wages Expense Analysis	70
39	Full-Time Employee Count	71
40	Salaries and Wages Per Admission	72
41	Animal Care and Health Expense Analysis	73
42	Horticulture Expense Analysis	73
43	Park Operation Expense Analysis	74
44	Facilities and External Properties Expenses Analysis	74
45	Warren & Clermont County Financials	75
46	General & Administrative Expense Analysis	76

Exhibits, continued

Exhibit Number		Page
47	Events and Group Functions Expense Analysis	76
48	Education Expense Analysis	78
49	Crew Expense Analysis	78
50	Fundraising Expense Analysis	79
51	Interest Expense by Operating Category Analysis	80
52	Depreciation by Operating Category	81
53	Scenario 1-Maintain 1.4 Million Attendance: Five year projected operating income and cash flows	82
54	Scenario 1-Maintain 1.4 Million Attendance: Five year projected percentage changes in revenues and expenses	83
55	Scenario 2-Maintain 1.2 Million Attendance: Five year projected operating income and cash flows	85

I. Overview of Engagement

We have been engaged to conduct a performance review of the Cincinnati Zoo and Botanical Garden, collectively referred to throughout our report as "CZ&BG." The objectives of this report as outlined in the Consulting and Services Agreement between the Board of County Commissioners, Hamilton County, Ohio and Howard, Wershbale and Co. (HW&Co.) are as follows:

- Evaluation of current operating efficiency
- Analysis of the CZ&BG's compliance with its current contract with Hamilton County
- Review of comparative data from other zoos and attractions in the region
- Recommendations for Tax Levy contract provisions between Hamilton County and the CZ&BG's, assuming successful passage of the proposed Tax Levy
- Recommendations for costs savings and/or revenue enhancements
- Suggestions on strategies for ensuring the CZ&BG's sustainability over the long term

We were not engaged to and did not conduct an audit of any of the information in this report. Accordingly, we do not express an opinion on the accuracy of the information contained in the report. If we had performed additional procedures, other matters might have come to our attention.

We would like to thank the scores of individual staff members and leadership personnel who took the time to answer our questions during the research stage of the report. In particular, we would like to mention Lori Voss. Without her gracious and helpful cooperation, our findings would have been less conclusive and would not provide the talking points so necessary to serious consideration of the Tax Levy proposal.

We appreciate the opportunity to be of service to the Hamilton County Tax Levy Review Committee for the Performance Review of The Cincinnati Zoo and Botanical Garden.

HOWARD, WERSHBALE & CO.

Howard, Wershbale &Co.

II. Executive Summary of Major Conclusions and Observations

Nationally, zoos have been experiencing significant increases in attendance beginning in the latter years of the past decade. Many believe that the 2008-2009 downturn in the economy has made zoos a more attractive leisure option. Not only have families forgone extended vacations in favor of local activities, but as compared to other local attractions, such as amusement parks, zoos are very well-priced. Hamilton County's CZ&BG has shared in this growth, enjoying record daily attendance and meaningful increases in its membership over the past five years. Whereas in 2007, attendance stood at 950,000, in 2012 it had risen to 1,439,000, an undeniable success story.

While this increase in CZ&BG attendance can be partly attributed to the recession, we believe there is much more behind its recent surge in popularity. The addition of new exhibits, as well as major changes to the Park's entrance and parking facilities, have been strategically managed and well-timed. The CZ&BG has enhanced the quality of its customer service, resulting in a higher level of visitor satisfaction. Further, the CZ&BG has deployed social media as well as traditional news outlets in effective and creative ways.

Our benchmarking analysis indicates that the CZ&BG has earned an excellent reputation on a local, regional, and national basis. The CZ&BG was ranked in the Top Ten on two of the four "Top Ten U.S. Zoos" websites that we reviewed. In Ohio, attendance at the CZ&BG is second only to that of the Columbus Zoo, and exceeds rates at regional zoos in Indianapolis, Louisville and Pittsburgh. 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. The CZ&BG's management compensation also exhibits meaningful correlation with other Ohio and regional zoos. Further, the CZ&BG admission price appears to be quite reasonable when compared to prices for other regional entertainment attractions. The CZ&BG has attained these successes while receiving lower amounts of public support than do its peers in Columbus, Toledo and Akron. (Because it is part of a larger metro park system, public support amounts specific to the Cleveland Zoo was not available and it was not included in the public support analysis).

The increase in daily attendance mentioned above, along with other factors such as an intensified focus on memberships, has resulted in a $4.0 million increase in annual direct operating revenues between 2007 and 2011. Over the same period, however, annual operating expenses have increased by $5.1 million, a significantly higher number. This increase in costs is due to a number of factors, the most meaningful of which is a $3 million annual increase in wages and benefits. This "gap" between direct operating revenues and direct operating expenses should be of concern to the CZ&BG, especially since it is somewhat obscured by the fact that over the same period, the CZ&BG has benefited from increases in program revenues and in both designated and unrestricted gifts. These latter sources of funding have yielded the CZ&BG's overall positive operating results during this period.

These positive results make it more challenging to confront the risks inherent in a situation in which direct operating expenses are increasing faster than revenues. While direct operating revenues are largely driven by attendance, which can vary significantly from year to year and can change due to outside factors, a large percentage of the CZ&BG's expenses are fixed, and therefore must be met, whether attendance is up or down.

This concern is accentuated by the fact that the fixed expenses of the CZ&BG are not on a downward path. The CZ&BG is entering the late stages of a $40-$50 million capital expansion. It is good news that the expansion has been paid for in large part by private support, not by levy funds. However, the expansion brings along with it a likely increase in future operating expenses and major maintenance expenses that should be incorporated into the CZ&BG's strategic plan.

Our concerns regarding future fixed expenses are reinforced by the results of our inflation benchmarking analysis. This analysis indicates that in the 2007 to 2011 period, operating revenues per admission have not kept pace with inflation. Over the same period, operating expenses have grown at a pace greater than inflation. This is a significant issue and is further highlighted during our financial analysis of the CZ&BG.

After many years of underfunding in the pre-2008 period, operating funds and funds from unrestricted gifts have recently been used to renovate and upgrade the CZ&BG's infrastructure and to address major maintenance items. Major maintenance includes renovations and upgrades to existing buildings and exhibits as well as system upgrades to the CZ&BG's existing infrastructure that management believes will have a long-term positive return. Generally these projects are being scheduled as funds become available through unrestricted gifts and operating surpluses.

During our review of the financial strength of the CZ&BG, we noted a downward trend in unrestricted working capital available to the CZ&BG as an item of concern; however, we found the overall long-term financial strength of the CZ&BG improved between 2009 and 2011 due to the repayment of long-term debts.

As the current expansion of the CZ&BG comes to a conclusion, we believe a plan for the funding of future major maintenance should be put into place and should take precedence over future expansion. The continued retirement of debt, too, should be a focus for the Board and a priority in the planning process.

Analysis of its contract with Hamilton County indicates that the CZ&BG is in compliance. It is worth pointing out, though, that the contract's current provisions do not include clear or specific goals to reduce future reliance on levy funds. Later in this report we include specific recommendations regarding potential changes to the present contract provisions to be specified in the CZ&BG's next Tax Levy contract.

Finally, our review of the corporate structure of the CZ&BG leads us to recommend that the Foundation be developed into an entity that operates more independently than is currently the case. Providing the Zoological Society with financial support in the form of increased endowment funds is a primary mission of the Foundation. To succeed in this mission, however, the Foundation should be allowed more control over the ultimate destination of incoming unrestricted funds and over the timing of its disbursement. Making the Foundation's independence from the Zoological Society a priority at the CZ&BG could result in a stronger endowment and a keener long-term focus for the CZ&BG overall.

III. Recent History and Overview of CZ&BG's Operations

The current levy cycle began in 2009, at a time when the CZ&BG was experiencing flat attendance, had recently made significant budget cuts, and was under the direction of a new management team and CEO, Thane Maynard, who began his term in July 2007.

The CZ&BG was also at the early stages of its $40-50 million capital campaign and planned expansion. The largest part of the expansion, which was underway in 2008, called for moving the parking lot south of Vine Street, opening up 11 new acres of green space for future exhibits, building a new pedestrian bridge and main entrance, and expanding the exhibits for both elephants and giraffes. The pedestrian bridge, new main entrance, and expanded bull elephant exhibit were finished in 2009 at a cost of approximately $19 million. Big Cat Canyon, another expansion, was completed in 2011 at a cost of approximately $4 million. Work on a five-phase project called "Africa" commenced in 2009. When completed, it will be the largest animal exhibit in the CZ&BG's history. Phases I & II of "Africa" were completed in 2010 and include an expanded yard for the Maasai giraffe, a new flamingo exhibit, and a new and improved "Cheetah Encounter." Phase III, opening during summer 2013, is currently under construction and will include a wider vista, offering visitors a new opportunity to see African lions & cheetahs. Overlooking Phase III, there will be an African-themed restaurant, featuring both indoor and outdoor dining. The final phases of "Africa," will incorporate water features, allowing visitors to view marine animals from both above and below their aquatic habitat.

New Entrance

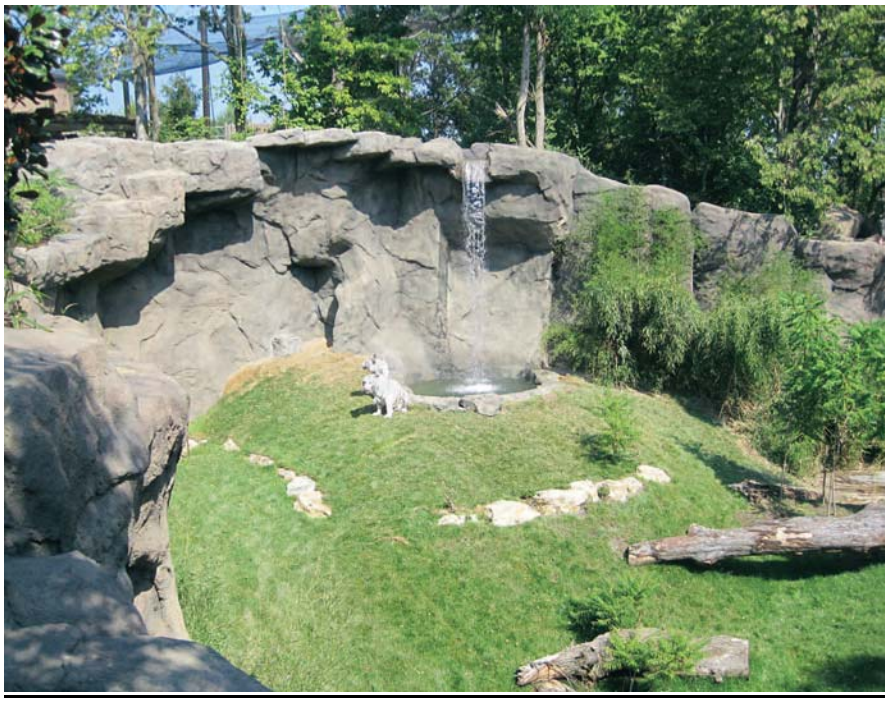
New Parking Lot Covered by the Solar Panel Array

Additionally, during 2011, the largest publicly accessible, urban Solar Array in the country was installed over the CZ&BG's Vine Street Parking Lot. The $11 million project is owned by the developer and was financed through a complex mix of private investors, Federal tax credits, and Ohio's alternative energy incentives. The CZ&BG is under contract to purchase energy from the developer with an option to buy the Solar Array in year eight. There was no upfront cost to the CZ&BG, and the array offers the possibility, although not the assurance, of reducing energy costs over the life of the system.

These accomplishments are even more impressive given the bleak overall economic landscape of the last levy cycle. The recession of 2008 and 2009 negatively affected the CZ&BG in two main ways: its Endowment Fund incurred significant losses as a result of the global market downturn, and it experienced a reduction in available levy funds due to the State of Ohio's phase out of the personal and public utility property tax reimbursements and reduced property tax collections.

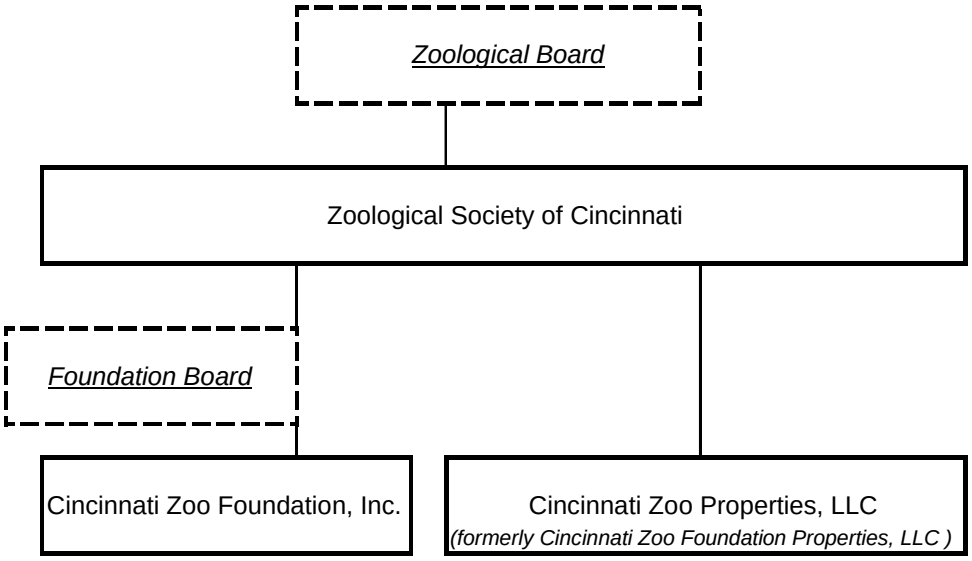
Further, Hamilton County as a whole was weakened by the recession: its housing market suffered, resulting in evictions and foreclosures, and its population saw increases in unemployment that have taken years to turn around. Against this backdrop, it is fair to say the CZ&BG's growth in attendance and in revenues, as well as its ambitious investment in popular new attractions such as the "Africa" project, should be recognized. Presently, the CZ&BG appears to have positive momentum, receiving both national and local media attention with the arrival of the new baby gorilla, "Gladys," and with the planned July 2013 opening of Phase III of the Africa project.

Tigers at Big Cat Canyon



IV. Corporate Structure

CZ&BG Corporate Structure



Beginning July 1, 1957, the Zoological Society of Cincinnati (the "Society") entered into a series of contracts with the City of Cincinnati, under which it agreed to operate and maintain all of the real and personal property of the City known as The Cincinnati Zoo and Botanical Gardens. The contract expires December 31, 2061. The Society is committed to the understanding and preservation of wildlife and our living world through naturalistic exhibits of animals and plants, scientific research, education, and active cooperation with a worldwide network of conservation organizations.

In 2000, the Zoo General Operating Endowment Trust Fund was transferred from the Society to the Cincinnati Zoo Foundation, Inc. (the "Foundation"). The purpose of the Foundation is to perform fundraising functions and provide financial support for the benefit of the Society. All funds held by the Foundation are for the benefit of the Society. The Society can exert control over the Foundation through the selection of trustees.

In 2005, the Cincinnati Zoo Foundation Properties LLC (the "Properties LLC") was set up as an arm of the Foundation. The purpose of the Properties LLC is to buy, sell, and hold the real property of the Foundation. During 2011, ownership of Properties LLC was transferred from the Foundation to the Society and renamed as Cincinnati Zoo Properties, LLC.

The Articles of Incorporation and the Code of Regulations of the Society and the Foundation were reviewed and appear to be in order and adequate for the effective corporation governance of these two entities.

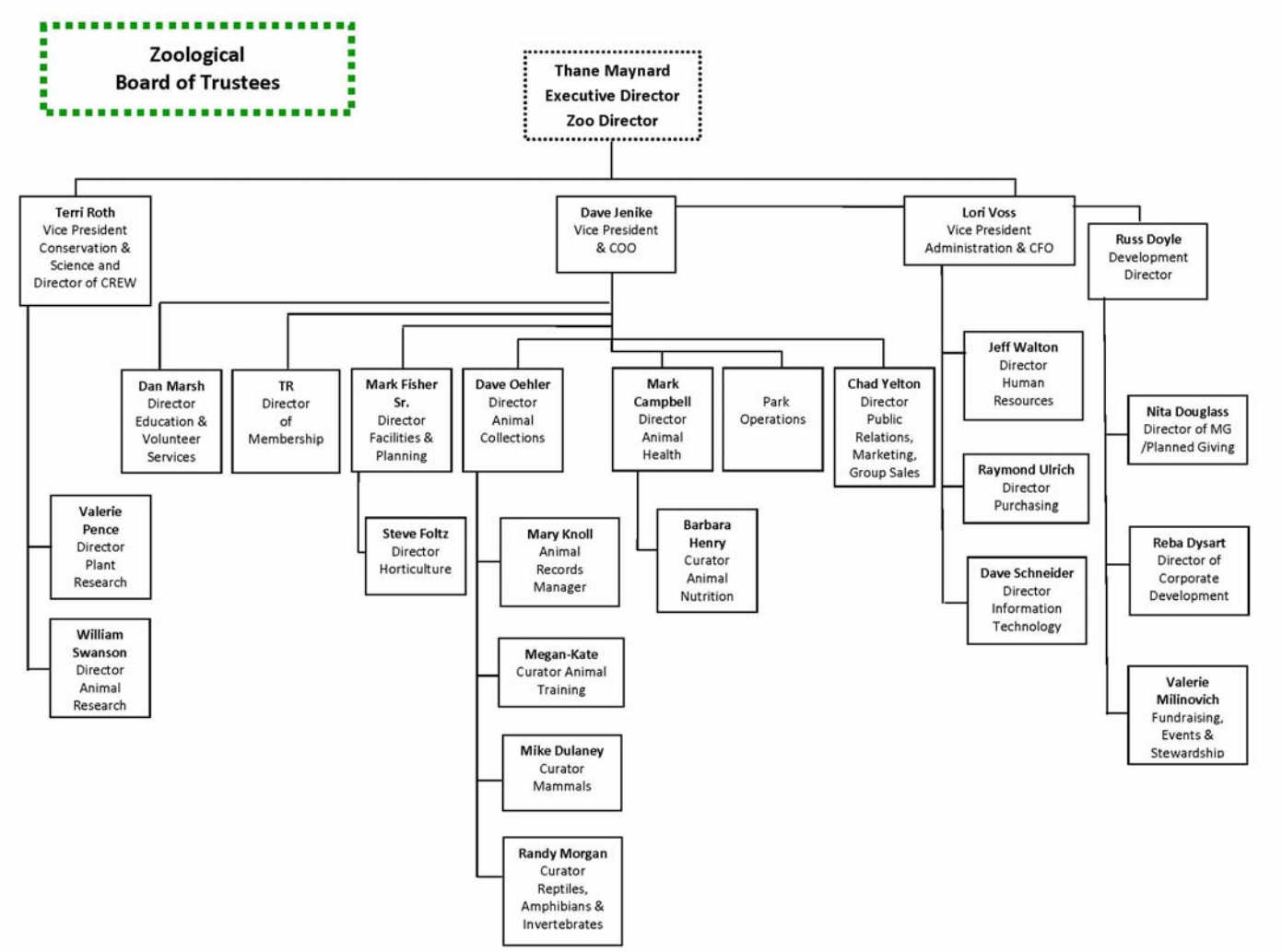
The current organization structure allows the Society and Foundation to function as one entity, which appears to streamline the decision-making process regarding the use of Foundation funds. This structure does not allot significant decision-making responsibility to the Foundation Board but instead provides the Society Board with control. One of the Foundation Board's primary missions is to provide the Society with financial support in the form of increased endowment funds; however, to effectively succeed at this mission the Foundation Board would need a voice in determining the direction of incoming unrestricted funds and timing of their disbursement. We believe a more independently functioning Foundation could be beneficial to the CZ&BG. For example Board designated funds could be established within the Foundation to fund future major maintenance projects and debt retirement.

Summary Finding

One of the Foundation Board's primary missions is to provide the Society with financial support in the form of increased endowment funds. However, to effectively succeed at this mission the Foundation Board would need a voice in determining the direction of incoming unrestricted funds and the timing of their disbursement.

V. Organizational Structure

Over the period of the latest levy term, the CZ&BG has streamlined and realigned its organizational structure. The current structure reflects a thoughtfully planned layout of roles, responsibilities, and reasonable hierarchies. Lines of reporting in the organizational chart are logical and would appear to promote operational efficiencies. The following represents the CZ&BG's current organizational structure:



Our topical review of the Board Committee structure concludes that it is logical and appears to effectively support the mission and the corporate governance needs of the CZ&BG. The memberships of the Board committees appear to be appropriate. The Audit Committee is composed of independent parties with the Vice President of Administration & CFO, Lori Voss, acting as a non-voting staff, and the Executive Committee Chair, Craig Maier, acting as an Ex Officio member.

Accountability and Transparency

According to the two leading nonprofit rating agencies, Charity Navigator and Guide Star, the CZ&BG has earned high marks for both accountability and transparency.

Charity Navigator gives the CZ&BG four stars out of four for its "Accountability & Transparency" score. It rated the CZ&BG's "Financial Performance Metrics" "very high," meaning that it was impressed by the CZ&BG's low administrative and fundraising costs, and its strong program efficiencies. The CZ&BG received Charity Navigator's "Check Marks" for all "Accountability & Transparency Performance Metrics" except for "easily accessible," "audited financials," and the "Form 990." Building links to the CZ&BG's Form 990 on its website would likely yield even higher marks from Charity Navigator.

The CZ&BG should consider offering easy accessibility to its audited financial statements and Form 990 on the CZ&BG website. The CZ&BG should notify Charity Navigator of this change, and its rating on Charity Navigator should improve to an even higher rating.

Guide Star gives the CZ&BG the following "Check Marks":

- Guide Star Seal: Committed to transparency
- Registered with IRS: Legitimacy information is available
- Financial Data: Annual Revenue and Expense data reported
- Forms 990: 2011, 2010, 2009 Forms filed with the IRS
- Mission Objectives: Mission Statement is available
- Impact Summary: Impact Summary for the nonprofit is available

Summary Finding

The CZ&BG is performing well with respect to the corporate governance goals of an appropriate organizational structure, an efficient committee structure, and a high level of both accountability and transparency.

VI. Operations Analysis

The Operations Analysis Section addresses the topics of Effectiveness of Strategic Planning, Review of Insurance Coverage, and Review of Major Contracts.

Effectiveness of Strategic Planning

We have reviewed the effectiveness of the CZ&BG's recent strategic planning with reference to five key factors: Internal Strengths, Stakeholder Perception, Customer Satisfaction, Health, Safety and Environment and Economic Impact to the Region.

1. Internal strengths

    a. Flexibility:
    The CZ&BG demonstrated flexibility during the most recent levy cycle by accomplishing a structural reorganization to increase efficiency.
    b. Strategic value:
    The CZ&BG has been able to increase its strategic value by introducing new exhibits, renovating older exhibits, and further developing community relationships with Hamilton County, the Greater Cincinnati area, the community of Avondale, the UpTown Cincinnati development project, as well as with local neighbors, such as the Cincinnati Children's Hospital, the University of Cincinnati, and the Veteran's Administration Clinic of Cincinnati.
    c. Learning:
    The CZ&BG emphasizes the value of learning for both its employees and its customers. All employees are encouraged to expand their job knowledge and professional expertise. Visitors to the CZ&BG are entertained and educated by the staff of CREW, CZ&BG's staff and caretakers, and CZ&BG's volunteers. The Cincinnati Zoo Academy of the Hughes High School provides zoological and botanical education to local students. Additionally, CREW provides post-doctoral training for veterinarians.

2. Stakeholder perception

    a. Local government:
    The CZ&BG has established and continues to nurture positive local government relations with Hamilton County, the City of Cincinnati, local neighborhoods, and with the visitor bases of Ohio, Northern Kentucky, and Southeast Indiana.
    b. Press coverage:
    The CZ&BG activity promotes a positive image through all forms of media, including press, television, radio, and social media channels. The Executive Director, members of CREW, and animal caretakers are interviewed regularly on local television and radio stations. Members of the CZ&BG staff speak on a regular basis with community, school, church, and social clubs.

c. Employee satisfaction:
The CZ&BG employees and volunteers enjoy a pleasant, yet challenging work environment. The level of employee satisfaction is demonstrated by the low level of employee turnover and the longevity of volunteer relationships.

3. Customer satisfaction

a. Product quality:
The CZ&BG is accredited by the Association of Zoos and Aquariums (AZA) and the Botanical Gardens are accredited by the American Alliance of Museums (AAM). The CZ&BG Zagat rating is 27 out of 30, which is "excellent to extraordinary." AAA rates the CZ&BG as a "Gem" of an attraction. YELP.com ratings by 109 respondents give the CZ&BG a 4.5 out of 5.0 rating. TripAdvisor.com ranks the CZ&BG as the number 2 of 67 attractions in the Greater Cincinnati area with 464 respondents ranking the CZ&BG at 4.5 out of 5.0. Frommer's Travel website ranks the CZ&BG as “one of America's best zoos.” Negative feedback from these reviewers tends to focus on the quality of parking facilities and on difficulties in finding the CZ&BG.

b. Customer service:
Our research on product quality, summarized above, also indicates that overall customer service at the CZ&BG is "very good to excellent." Comments suggest the staff is helpful and friendly, the CZ&BG's grounds are well-maintained and clean, and the animals appear to be well cared for and comfortable in their habitats.

c. Repeat customers:
The best source of data relative to repeat customers is the high level of membership renewals by the CZ&BG members. Renewal over the past five years averages 71%, a strong sign the CZ&BG provides a very positive experience to its patrons.

4. Health, safety, and environment

a. Public health and safety:
The CZ&BG meets all public health and safety requirements of the AZA and AAM.

b. Worker health and safety:
The CZ&BG meets all worker health and safety requirements of the AZA and AAM.

c. Environmental impact:
The CZ&BG has been effective in reducing its environmental footprint over the period of the current levy. The use of water has been significantly reduced and has resulted in lower operating costs. Electrical costs have been reduced by the implementation of a solar panel joint venture project which provides the added benefit of shaded parking areas.

5. Economic impact on the region

A 2007 analysis by the University of Cincinnati Economic Center indicated the CZ&BG added a $124.6 million stimulus to the Greater Cincinnati area local economy in that year. This impressive positive effect included an individual household earnings impact of $42.7 million. The report went on to note the CZ&BG's presence in the Greater Cincinnati area created or retained over 1,600 jobs.

According to the report, these economic activities generated nearly $4.1 million annually in local sales, earnings, and property tax revenue. This includes more than $944,000 for Hamilton County and the City of Cincinnati in sales and income taxes, and another $2.0 million in property taxes for Hamilton County jurisdictions.

When the total economic impact of $124.6 million is compared with the CZ&BG's spending of $36.6 million for operations and construction, it results in an overall economic multiplier of 3.4, a number which very few local enterprises can match.

The impressive findings of the 2007 study are reinforced by the preliminary version of The University of Cincinnati's current economic impact study, which is scheduled for release by May 31, 2013.

The preliminary version of this report estimates the total economic impact of the CZ&BG at $143.0 million and specifies the household earnings impact within that total at $51.7 million. It finds the CZ&BG's total employment impact in Greater Cincinnati is over 1,700 jobs, and the Zoo even functions as a recruitment tool in the medical field. Within the report, the Executive VP/COO of Cincinnati Children's Hospital Medical Center, Scott Hamlin, is quoted as saying, “because of its outstanding quality, the CZ&BG is a featured item in Children’s Hospital Medical Center’s talent attraction efforts. It helps us tell a very positive story about Cincinnati.”

As a major Cincinnati attraction, the CZ&BG brings in 287,700 non-local visitors who generate $23.2 million in off-site spending on food and drink, hotels, shopping, and entertainment.

Based upon the findings of the 2007 and the 2013 economic impact analyses, it appears the CZ&BG has had a very favorable economic impact on the Greater Cincinnati region.

Review of Insurance Coverage

Our review of the insurance coverage of the CZ&BG concludes that levels of General Liability, Umbrella Liability and Crime Insurance appear to be adequate to protect the CZ&BG, its employees and volunteers, including Trustees, from most liability claims. We would recommend the CZ&BG consider obtaining extortion coverage for key employees if the cost of such coverage is reasonable in relation to the risk that extortion represents to the viability of the CZ&BG.

The leadership of the CZ&BG appears to be acting prudently in its insurance planning and outlook. We recommend that the CZ&BG management review the levels of coverage and deductibles with its insurance broker(s) whenever the policies are renewed or whenever there are significant operational changes and / or changes in the risk environment.

Review of Major Contracts

We identified six major contracts and/or agreements impacting current and future operations of the CZ&BG. They include:

1. The Tax Levy agreement with Hamilton County
2. A contract with the City of Cincinnati covering the management of real and personal property
3. A contract with AFSCME/AFL-CIO Ohio Council 8 (the Union contract)
4. A concessionaire agreement with Service Systems Associates, Inc.
5. A contract with Iwerks Entertainment, Inc. to provide and maintain the CZ&BG's "4D" cinema attraction
6. A solar power purchase agreement with CZ Solar, LLC

An analysis of each contract follows. Special attention will be given to the Tax Levy contract and to the solar power purchase agreement. References to the parties in the following analyses vary depending upon the language used in the specific contract. That is, if a contract refers to CZ&BG as "the Zoo," we will do so as well. By contrast, if a contract uses the term "the Zoo Society," we use that term in our analysis.

1. The Tax Levy contract with Hamilton County

On October 15, 2008, the Board of County Commissioners (the County) entered into an agreement with the Zoological Society (the Zoo) to enact a five-year tax levy totaling .46 mills. The agreement, formally titled The Memorandum of Agreement between the Board of County Commissioners of Hamilton County, Ohio and the Zoological Society of Cincinnati, was pursuant to Hamilton County voter approval on March 4, 2008. The purpose of the Zoo Levy is to provide or maintain zoological park services and facilities. The contract stipulates that the tax is to be levied on 2008, 2009, 2010, 2011, and 2012 tax duplicates. Beginning on January 1, 2009, its term extends through December 31, 2013.

The Agreement's "Scope of Services" specifies that Levy proceeds "shall only be used for direct costs of operating the Zoo in one or more of the following categories." The categories stipulated in the Levy contract are also referred to as "Qualifying Area Expenditures" and include:

- Animal care and health
- Horticulture
- Maintenance
- Utilities

For purposes of the Tax Levy agreement, "direct costs" are "those expenses that have a direct benefit and are directly attributable to one or more of the above categories." According to the agreement, such costs are to be clearly distinguished from indirect costs. The contract stipulates that "in no event can Levy proceeds be utilized for indirect costs incurred for a common or joint purpose and therefore are not readily attributable to one of the above categories."

This general statement of the separation of direct from indirect costs, and the Levy's funding of only the former, is followed, later in the agreement, with statements that could be seen to dilute its meaning. To wit, in Section 7 of the contract, "proceeds of the levy" are characterized as "the payor of last resort," a much more general description of what the levy is intended for. Language later in Section 7 reads, "specifically, the Zoo agrees that on an annual basis it will dedicate to the payment of Qualifying Area Expenditures no less than 20% of the actual cost of those Qualifying Area Expenditures." While the lack of specificity is itself of concern here, it should also be noted that over the term of the current levy, the percentage of Qualifying Area Expenditures actually covered by the CZ&BG has been at times over 30%, considerably higher than the 20% stipulated in the contract.

Exhibit 1

Qualifying Area Expenditures Paid By Levy vs. Internally Funded

Description	Five Year Average	2012	2011	2010	2009	2008
Animal Care & Health	$ 5,552,571	$6,016,790	$5,695,093	$5,496,618	$5,383,728	$5,170,624
Horticulture	702,697	677,261	670,553	665,169	782,358	718,144
Maintenance	2,262,493	2,942,857	2,282,195	2,178,415	1,987,386	1,921,611
Utilities	1,316,912	874,353	1,240,880	1,332,176	1,535,689	1,601,464
Total Qualifying Expenditures	9,834,673	10,511,261	9,888,721	9,672,378	9,689,161	9,411,843
Levy Funds Provided	6,795,896	6,765,300	6,695,663	7,226,365	7,104,233	6,187,920
Internally Funded	3,038,777	3,745,961	3,193,058	2,446,013	2,584,928	3,223,923
	9,834,673	10,511,261	9,888,721	9,672,378	9,689,161	9,411,843
Levy Funds Provided	69.1%	64.4%	67.7%	74.7%	73.3%	65.7%
Internally Funded by CZ&BG	30.9%	35.6%	32.3%	25.3%	26.7%	34.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Zoo Management and County Records

The foregoing comments notwithstanding, on an overall basis, the CZ&BG appears to have been in compliance with all of the terms and conditions of the Agreement for the current term of the Levy.

2. Contract with the City of Cincinnati

Beginning July 1, 1957, the Zoological Society (the Zoo) entered into a series of contracts and contract amendments with the City of Cincinnati (the City), under which the Zoo agreed to operate and maintain all of the real and personal property of the City known as the Cincinnati Zoo and Botanical Gardens. On August 18, 2011, in the second amendment to the current contract, the City extended the term of the contract through December 31, 2061. The Zoo appears to be in compliance with the terms and conditions of its current contract with the City.

3. Union Contract

On September 16, 2011, the Zoo Society entered into its current contract with Local 282, Cincinnati Zoological Society Employees, Ohio Council 8, American Federation of State, County and Municipal Employees, AFL-CIO (the Union). Under the contract, which extends through September 16, 2016, the Zoo Society recognizes the Union as the sole and exclusive collective bargaining agency for the following groups of employees:

- Team Leaders
- Head Keepers
- Animal Keepers / Relief Keepers
- Night Keepers
- Building Maintenance Personnel
- Gardeners

Of note within the Union contract is its stipulation that pay increases "may be conditioned upon satisfactory performance and progress in the classification assigned." Actual increases in minimum wages during the period of the Union contract have been within the range of 2.5% to 3.0% per annum, a significant increase, especially given the low inflation rates of the past several years.

In accordance with the terms of the Union contract, the Zoo Society also provides employee benefits to full-time Union employees. The package provided is similar to the employee benefits available to full-time Non-Union employees. Some differences include the method used to fund the Union employees' vision, dental, and life insurance. This insurance is funded through contributions to the Union's Health & Welfare Plan. The Zoo Society appears to be in compliance with the terms and conditions of its contract with the Union.

4. Concessionaire Agreement

The Concessionaire Agreement was entered into by and between the Zoological Society of Cincinnati, Inc. (the Zoo or Society) and Service Systems Associates, Inc. (the Concessionaire) on July 7, 2010. The term of the Agreement is from July 12, 2010 until September 30, 2025. Thereafter, the Agreement can be extended for periods of five years by mutual written consent of the parties to the Agreement.

The Agreement provides the Concessionaire with the exclusive privilege to operate the Food Service and Merchandising Business at the Zoo facilities. This exclusivity is subject to pre-existing agreements for the provision of certain food and beverage items provided under Sponsorship Agreements in force at the time of the execution of the Agreement (e.g., La Rosa's Pizza, Skyline Chili, and United Dairy Farmers Dairy Products). Per the Agreement, the Zoo must consult with the Concessionaire prior to entering into any new Sponsorship Agreements subsequent to the execution of the Agreement. The CZ&BG also maintains the right to license photographic image rights.

Remuneration under the Agreement comes in the form of "Monthly Rent" equal to the applicable percentage of Gross Receipts for merchandise sold as follows:

Exhibit 2

Contract Analysis--The Concessionnaire Agreement

Category:	Sales subject to Commission:	Commission:
Concession Food and Beverage	All Receipts	18%
Concession Vending	All Receipts	45%
Member Food & Beverage 20% Discount	All Receipts	14%
Retail Gifts	All Receipts	29%
Catering Food, Beverage, & Alcohol	All Receipts	15%

If, in any applicable year, CZ&BG attendance exceeds 1,000,000 visitors, another part of the Agreement (the "Annual Guarantee" section) stipulates the Concessionaire will pay the amount, if any, by which the applicable “Guarantee Amount,” as set forth in the table below, exceeds the total "Monthly Rent" for that calendar year. The guarantee amounts appear to be a conservative hurdle for the Concessionaire to meet. To-date, the Concessionaire's payments to the CZ&BG have exceeded the annual guarantee amounts.

Exhibit 3

Contract Analysis--The Concessionnaire Agreement: Annual Guarantee

Calendar Year:	**Annual Guarantee:**
Year 1 (2011)	N/A due to construction activity
Year 2 (2012)	$1,100,000
Year 3 (2013)	$1,150,000
Year 4(2014)	$1,175,000
Year 5 (2015)	$1,200,000
Year 6 and beyond	(to be negotiated after Year 5)

Beyond the payments laid out in the tables above, the Concessionaire has also been obligated to invest in capital improvements at the CZ&BG. More specifically, between January 1, 2011 and May 1, 2012, the Concessionaire has funded capital improvements in the amount of $4,000,000. These capital improvements benefit the new "Zoo Café " in addition to other food service locations in the park and include alterations, furnishings, and equipment necessary to provide food and merchandising services. Capital improvement outlays have also included Severance Payments to previous vendors of up to $750,000, costs of POS equipment and costs related to the design and construction of the Café project. After September 30, 2015 and prior to October 1, 2016, the contract specifies the Concessionaire and the Society shall outline shared goals for an additional $1,000,000 investment to be made by the Concessionaire in support of the Food Service & Merchandising Business at the Zoo facilities.

Should the Agreement terminate, the following items become deliverables from the Concessionaire:

- Zoo Facilities – Concessionaire shall deliver the Zoo facilities any existing equipment to the Society in good condition and state of repair.
- Remuneration – Concessionaire shall promptly pay any accrued rent or other amounts due but not yet paid to the Society.
- Inventory – Society or successor concessionaire shall purchase from the Concessionaire, at book value, the food service and merchandise inventory bearing the logo or name of the Cincinnati Zoo.
- Furniture, Fixtures and Equipment (FF&E) – the Society, at its option, may purchase any or all of the FF&E provided by the Concessionaire as depreciated value or fair market value of the FF&E as mutually agreed upon by the parties. This option is available to the Society within 14 days of the termination. The Concessionaire has the right and obligation to remove any FF&E that the Society does not exercise it purchase option.
- Leasehold Improvements – if the Agreement expires or is terminated without cause, the Society is obligated to pay the Concessionaire the remaining unamortized value of all Leasehold Improvements installed by the Concessionaire.

The Society appears to be complying with the terms and conditions of the Agreement and appears to be satisfied by the performance of the Concessionaire.

5. 4D Attraction Agreement

Under the 4D Attraction Agreement, Iwerks Entertainment, Inc. provides the Zoo Society with all equipment, services, and maintenance related to a cinematic "experience" available to zoogoers. According to the CZ&BG's website, the 4-D Attraction is "a theater experience, a cinematic adventure that combines high-definition 3-D high projection with thrilling sensory effects such as wind, mist, snow scents, and more!”

Covering the period of April 2, 2007 until December 31, 2015, the 4-D Attraction Agreement has not produced the favorable financial outcome envisioned at its outset. Under the terms and conditions of the Agreement, the Society’s obligation is to provide Iwerks with ten installment payments of $38,500 ($385,000 annually) during calendar years 2012, 2013, 2014, and 2015.

The 4D Attraction does not appear to have been a significant attendance draw over the years it has been open. Recently, admission to the theater has been added to member benefits making it difficult to quantify the financial success of this attraction.

6. Solar Power Purchase Agreement

The Solar Power Purchase Agreement (Solar Agreement) is a complex contract executed on December 22, 2010 by and between CZ Solar, LLC (Power Provider), and the Zoological Society of Cincinnati (Purchaser or CZ&BG) with acknowledgement by Melink Corporation (Guarantor). CZ Solar, LLC and Melink Corporation are related parties, and their Chief Financial Officers are one and the same person.

In one sense, the installation of the Solar Array is a major improvement to the CZ&BG. In addition to providing solar power, a significant portion of the array offers the benefit of convenient shaded parking for visitors to the CZ&BG. The agreement, however, requires the CZ&BG to make major decisions regarding the array in the near term.

The Solar Agreement can be summarized as follows:

- The Power Provider agreed to and did install a solar panel array on the Purchaser's property, and the Purchaser agreed to purchase all of the electrical power produced by the solar panels at agreed upon rates.
- The Purchaser has its first option to purchase the Solar Panel Array for $2.4 million on May 1, 2018.
- If the Purchaser does not execute the first option, then the Solar Agreement will continue to the end of its initial term on April 30, 2021.
- Between the dates of the first option and the end of the initial term (i.e., April 30, 2011), the Purchaser is obligated to purchase all of the electrical power produced by the Solar Array at rates which are significantly higher than typical market prices for electric power.
- At the end of the initial term (i.e., April 30, 2021), the Purchaser has the option to purchase the Solar Array for $2.1 million.
- If the Purchaser does not buy the array at this point, it is obligated to buy all of the electrical power produced by the Solar Array in contract years 11-25 at market rates.
- The Guarantor also has the option to purchase the Solar Arrays at fair market value over the term of the Agreement. Such purchase by the Guarantor, if it should occur, does not appear to impact the rights and/or obligations of the CZ&BG under the Solar Agreement.
- If the Solar Agreement is terminated at any point, the Power Provider is obligated to remove the Solar Array. Expenses for this removal would be shouldered by the CZ&BG, and the CZ&BG would likely experience the negative impact of parking lot disruptions and customer service issues brought on by the removal.

The following Exhibit summarizes a pre contract analysis used by the CZ&BG as part of its decision-making process. The analysis assumes the CZ&BG will exercise its option and purchase the Solar Array in year eight under the present terms of the contract. Other assumptions, such as the price of electricity and availability of tax credits, are based on what was estimated prior to the CZ&BG entering into the "Solar Power Purchase Agreement."

Exhibit 4

Solar Array Pre Contract Cash Flow Analysis Assuming CZ&BG Purchases Solar Array in Year 8

		Projected Power Savings (Cost)	Estimated Value Renewable Energy Credits	Operating Expense & Insurance	Maintenance	Capital Cost Principal	Interest	Total Estimated Annual Cash Flows	Total Estimated Cumulative Cash Flows
YEAR 1	2011	$ 8,943						$ 8,943	$ 8,943
YEAR 2	2012	7,037						7,037	15,980
YEAR 3	2013	4,743						4,743	20,723
YEAR 4	2014	936						936	21,659
YEAR 5	2015	(3,089)						(3,089)	18,570
YEAR 6	2016	(7,343)						(7,343)	11,227
YEAR 7	2017	(11,834)						(11,834)	(607)
YEAR 8	2018	143,480	$ 306,909	$ (30,000)		$ (240,000)	$ (96,000)	84,389	83,782
YEAR 9	2019	146,306	303,839	(30,300)		(240,000)	(86,400)	93,445	177,227
YEAR 10	2020	149,189	300,801	(30,603)		(240,000)	(76,800)	102,587	279,814
YEAR 11	2021	152,128	65,514	(30,909)		(240,000)	(67,200)	(120,467)	159,347
YEAR 12	2022	155,124	66,805	(31,218)		(240,000)	(57,600)	(106,889)	52,458
YEAR 13	2023	158,180	68,121	(31,530)		(240,000)	(48,000)	(93,229)	(40,771)
YEAR 14	2024	161,297	69,463	(31,846)		(240,000)	(38,400)	(79,486)	(120,257)
YEAR 15	2025	164,474		(32,164)	$ (162,500)	(240,000)	(28,800)	(298,990)	(419,247)
YEAR 16	2026	167,714		(32,486)		(240,000)	(19,200)	(123,972)	(543,219)
YEAR 17	2027	171,018		(32,811)	(162,500)	(240,000)	(9,600)	(273,893)	(817,112)
YEAR 18	2028	174,387		(33,139)				141,248	(675,864)
YEAR 19	2029	177,823		(33,470)	(162,500)			(18,147)	(694,011)
YEAR 20	2030	181,326		(33,805)				147,521	(546,490)
YEAR 21	2031	184,898		(34,143)	(162,500)			(11,745)	(558,235)
YEAR 22	2032	188,540		(34,484)				154,056	(404,179)
YEAR 23	2034	192,255		(34,829)				157,426	(246,753)
YEAR 24	2035	196,042		(35,177)				160,865	(85,888)
YEAR 25	2036	199,904		(35,529)				164,375	**$ 78,487**
		$3,063,478	$1,181,452	$ (588,443)	$ (650,000)	$ (2,400,000)	$ (528,000)	**$ 78,487**	

The analysis above represents one of the more likely scenarios that will be followed by the CZ&BG. Many of the risks associated with this scenario are discussed later in this report. One possible benefit not quantified above that CZ&BG's management believes is a possibility, would be future power savings realized if the life of the Solar Array extends beyond 25 years.

As of this writing, the CZ&BG has purchased all of the electrical power produced by the Solar Array, and it has been recognizing, on a monthly basis, its costs for this power. All parties appear to be complying with the terms and conditions of the Solar Agreement.

We are concerned, however, that the contract is not disclosed in the Audited Financial Statements of the CZ&BG, and that the CZ&BG has not recognized any potentially material impacts or possible contingent liabilities to which the terms and conditions of the Solar Agreement may give rise. We are also concerned that under the terms of the contract, should the CZ&BG not exercise its purchase option during the period between 2018 and 2021, the CZ&BG will be paying rates for electricity significantly higher than market rates, and that provisions for this extra outlay are not specifically designated in the CZ&BG's strategic plan for those years.

The stages of compliance with the solar contract, and the possible negative material impacts of the agreement in future years, can be laid out chronologically, beginning with the contract's initial term. Through April, 30, 2021, the CZ&BG is obligated to pay the expense of all of the electrical power produced by the Solar Array at contractual purchase price rates which vary in accordance to the terms of the Solar Agreement. This is a given and the CZ&BG is complying with these requirements and is recognizing the expense for the electricity that is be delivered on monthly basis.

Within the period of the initial term, in 2018, the CZ&BG will have the option to purchase the Solar Array for $2.4 million. If the option is exercised, the CZ&BG would avoid paying the escalated 2018-2020 rates. Depending upon the efficiency of the Solar Array's generation of power, this purchase could also result in long-term cost savings.

If the CZ&BG does not purchase the Solar Array outright in 2018, the Zoo becomes contractually obligated to purchase all of the electrical power produced by the solar array until the April 30, 2021. As the chart below indicates, however, during this period of time, the purchase price of the electrical power is escalated by 36% or more to rates likely to be well in excess of market.

Exhibit 5

Solar Array Electrical Power Purchase Price

Source: Power Purchase Agreement between the CZ&BG and Melink Corporation, Inc.

Contract Year	Calendar Year	Rate	Annual Price Escalator	Purchase Price Option
1	2011	0.0800	n/a	n/a
2	2012	0.0844	5.50%	n/a
3	2013	0.0890	5.50%	n/a
4	2014	0.0939	5.50%	n/a
5	2015	0.0991	5.50%	n/a
6	2016	0.1046	5.50%	n/a
7	2017	0.1103	5.50%	n/a
8	2018	0.1500	36.00%	$2,400,000
9	2019	0.1583	5.50%	n/a
10	2020	0.1670	5.50%	n/a
11	2021	Market Rate	n/a	$2,100,000
12 to 25	2022 to 2036	Market Rate	n/a	n/a

As indicated above, the CZ&BG will reach its Second Purchase Option Date in 2021, at which point it has the option to purchase the Solar Array for $2.1 million, a significantly lower amount than the 2018 price of $2.4 million. If this option is exercised, the benefits relative to the possible cost savings from the generation of electrical power from the Solar Array would accrue to the CZ&BG.

After April 30, 2021, the date which would mark the official End of the Initial Term, if the CZ&BG does not exercise its purchase option, then it becomes contractually obligated to purchase all of the electrical power produced by the Solar Array at current market prices through year 25 (the expected life of the solar panels) of the Solar Agreement.

Summary Finding:

In summary, there are four potential outcomes for the CZ&BG under the Solar Agreement:

- *It can purchase the Solar Array in 2018 for $2.4 Million (First Purchase Option). This option appears to be a reasonable and possible outcome.*
- *It can purchase the Solar Array in 2021 for $2.1 million (Second Purchase Option), however, the CZ&BG would have to pay a substantial mark-up on the purchase price of electricity between the First and Second Purchase Option dates. This option appears to be a possible outcome.*
- *The CZ&BG can maintain the Solar Agreement through the Contractual Term – 2036 or beyond, with extensions. Under this scenario, however, the CZ&BG would still have to pay a substantial mark-up on the purchase price of electricity between the First and Second Purchase Option dates. This option appears to be a reasonable and possible outcome.*
- *Early Termination of the Solar Agreement. The likelihood of this option appears to be remote.*

We recommend the CZ&BG carefully quantify these options under the Solar Agreement to determine the most favorable financial outcome based on future risks and its ability to fund a $2.4 million capital addition in 2018.

In addition, the CZ&BG should record, in the financial statements, the net discounted present value of any liabilities that may arise from the most favorable outcome. For example, if the CZ&BG decides it should exercise the initial purchase option, then it should consider recording the discounted present value of the $2.4 million purchase cost and any other related purchase and/or financing costs.

Further, if the CZ&BG is giving serious consideration to either of the purchase offers featured in the Agreement, it should consider establishing a Board-designated fund within the Foundation to accumulate, over time, the capital necessary to pay for the purchase of the Solar Array so as to avoid any interest costs relative to financing the purchase cost of the Solar Array.

Finally, we would submit that the Solar Agreement is a material contract and should, therefore, be disclosed in the financial statements of the CZ&BG. For more detail on the Solar Agreement, see the analysis of Significant Risk Factors and Potential Financial Statement Presentation and Disclosure Issues that relate to the Solar Agreement.

Solar Agreement
Significant Risk Factors and
Potential Financial Statement Presentation and Disclosure Issues

Overall Risks:

- Fluctuations in the cost of electricity
- Fluctuations in the amount of electricity required to be purchased
- Fluctuations in the cost of money (interest rate risk)
- Future advances in technology

First Purchase Option – 2018 (a possible and reasonable outcome):

- See Overall Risks
- No apparent plan for prefunding the $2.4 million purchase price in order to eliminate or mitigate interest rate risk
- No apparent plan for the recording of the contingent liability for the discounted present value of the purchase cost

Second Purchase Option – 2021 (a possible outcome):

- See Overall Risks
- No apparent plan for prefunding the $2.1 million purchase price in order to eliminate or mitigate interest rate risk
- No apparent plan for the recording of the contingent liability for the discounted present value of the purchase cost
- No apparent plan for the recording of the discounted present value of the increased contractual rate paid for electricity during the term between the First and Second Purchase Options

Maintaining the Solar Agreement through the Contractual Term – 2036 or beyond with extensions (a possible and reasonable outcome):

- Fluctuations in the cost of electricity
- Fluctuations in the amount of electricity required to be purchased
- No apparent plan for the recording of the discounted present value of the increased contractual rate paid for electricity during the term between the First and Second Purchase Options
- Parking lot disruptions and customer service issues would be experienced during the removal of the Solar Array

Review of Past Performance Studies, Accreditation Reviews and Internal Reports

Overview

The Zoo and Aquarium facilities of the CZ&BG are subject to accreditation by the Association of Zoos and Aquariums (AZA). The Botanical Gardens of the CZ&BG are subject to accreditation by the American Alliance of Museums (AAM).

Latest AZA Accreditation: August 24-27, 2009
AZA accreditation reviews take place every five years

- *Note: Comments and Responses relative to the Accreditation Report have been condensed.*

The AZA sent an accreditation certificate, dated September 14, 2009, to the CZ&BG which documented the extension of accreditation through September 30, 2014.

Concerns Remaining From Previous Inspection

AZA comment: Several refrigerators in animal back-up contained both human and animal food.
The CZ&BG response:

- *Graphics are being printed for each animal building indicating whether or not individual refrigerator is for human or animal food. Disciplinary action will be taken for any further violations.*

Major Concerns From Current Inspection

AZA comment: A security concern was noted relative to access within the bear line.
The CZ&BG response:

- *Access will be upgrading with a pneumatic operating system and protective guards will be installed.*

AZA comment: The primary containment barrier within the lion exhibit was cited as being inadequate.
The CZ&BG response:

- *Necessary modifications and enhancements have been made to the barrier.*

AZA comment: No back-up generators for some critical life-support systems are available.
The CZ&BG response:

- *Several generators are in the process of being purchased and installed, all of which will be in place by September 2009.*

AZA comment: The institution does not have an adequate safety audit program
The CZ&BG response:

- *A full-time Safety Coordinator will be hired by December 2009 (replacing a part-time employee). The Director of Human Resources and the Safety Director will continue compliance with all safety guidelines OSHA, AZA, USDA, and other applicable authoritative entities. Software packages to track safety compliance issues will be purchased and implemented. Specific responses were also provided for seven of the cited safety issues.*

Lesser Concerns from Current Inspection

AZA comment: The AZA had eight comments of lesser concern relative to maintenance, specific minor safety issues, housekeeping, and a perimeter gap.
The CZ&BG response:

- *Detailed and meaningful responses were provided to all eight of the Lesser Concerns.*

Points of Particular Achievement Noted by the Visiting Committee

During the inspection the Visiting Committee was particularly impressed with**:**

- The CZ&BG Senior Staff
- The new Schott Education Center and the Zoo Academy
- The new Rowell Chase Animal Hospital and Health Center
- The CZ&BG use of a performance monitoring "dashboard"
- The extremely well-maintained World of Insects Exhibit
- The impressive use of "green initiatives"
- The CREW Conservation Center
- The remarkably-diverse and extensive collection of animal and plants
- The extraordinary horticultural program and impressive appearance of the ground

Latest AAM Accreditation: March 27-29, 2008
AAM accreditation reviews take place every 10 years

On July 25, 2008, the AAM's Accreditation Committee renewed the Botanical Garden's accreditation status. The Committee sent a letter dated August 13, 2008 to the CZ&BG congratulating it for its achievement. Also included with the letter were materials to be used in promoting the CZ&BG's AAM accreditation award and status.

- *Note: Comments and Responses relative to the Accreditation Report have been condensed*

Preservation and Conservation

Living Collections

The AAM Accreditation Team was impressed by the knowledge and dedication of management, staff, and the Board of the CZ&BG.

Commendations for the Botanical Gardens and Horticultural Exhibits include:

- Excellent job in enhancing the Botanical Gardens
- The Zoo Blooms Program
- The plant inventory system
- Numerous tropical garden displays

Commendations for facilities' efforts since last visit are summarized as follows:

- Well-planned animal hospital
- Model LEED-certified education center
- New entertaining "4-D" theater
- Excellent renovation of the elephant exhibit
- Well-maintained CREW facility
- New Manatee Springs Exhibit
- Polar Bear Exhibit expansion and renovation
- Giraffe Exhibit expansion and enhancement – in process

Areas of concern which require attention were noted as follows:

- Ozone management facilities pertaining to aquatic systems
- Service access to the Japanese Snow Macaque exhibit

Non-Living Collections: Passenger Pigeon Memorial, sculptures and artifacts

Management of these collections were found to be adequate

Research: primarily CREW

Funding for CREW was found to be highly self-sufficient with only nominal reliance on the CZ&BG general funds. The Accreditation Team commented that “The work at Crew not only benefits the CZ&BG, but it also benefits the global Zoo and Botanical Garden profession through their pioneering work.”

Interpretation and Presentation

The CZ&BG's numerous educational and interpretive programs were highly commended, including:

- The Zoo Academy: magnet school
- The Barrow Conservation Lecture Series
- Discovery programs for children
- Staff engagement with visitors
- Use of volunteer educators

There was minor criticism of some exhibit signage and some older presentations.

Overall, the conclusion on Interpretation and Presentation Efforts was that these aspects of the CZ&BG were "outstanding."

Administration and Finance

The Accreditation Committee Report made many favorable comments relative to:

- Key individual management member
- The volunteers
- Financial management of the CZ&BG
- Development office activities
- Facilities and site management
- Risk/safety management

In summary, the Accreditation Committee praised the CZ&BG for its fine operations and for its readiness to address concerns noted in the Committee's June 18-20, 1997 Accreditation Review.

Receipt of the CZ&BG's response to items of weakness and concern relative to the latest accreditation review is pending.

Cash Management Policies and Procedures

During the term of the current levy, the CZ&BG has made significant enhancements and improvements to its cash management policies and procedures. We interviewed a member of the cash control department of the CZ&BG, conducted a walk-through of the cash management process, and reviewed 2013 Cash Handling Policies and Procedures.

The processing of cash and negotiable instruments at the CZ&BG has been upgraded and consolidated into a sophisticated cash management system. The process revolves around "Cash Recycler" equipment. The combination of the policies and procedures and the "Cash Recycler" equipment results in a safe and sound environment for the processing of cash and negotiable instruments.

Cash collection for admissions is concentrated at the Main Gate of the CZ&BG during the nonpeak season. Due to the layout of the CZ&BG, two secondary entrances are operated during peak times of admission. These are the Safari Camp and Cheetah entrances which are aligned with secondary parking facilities along the CZ&BG's perimeter. All entrances utilize "Cash Recycler" equipment and common Cash Handling Policies/Procedures.

Additionally, the following departments use the "Cash Recycler" equipment and Cash Handling Policies and Procedures:

- The Education Registration Desk
- Wild Encounters for animal feedings
- Rides and Attractions, including the CZ&BG's train, carousel, stroller rental, and 4-D theater
- Membership

The departments not using the "Cash Recycler" are development and group sales. Cash and negotiable instruments from these areas are batched, processed, and deposited into the main vault using secure deposit box identical to a "Night Drop Box" for commercial deposits at a financial institution.

All cash receipts and negotiable instruments received are processed within the grounds of the CZ&BG under a system of dual controls, deposit validation and/or "blind balance" controls. An armored guard service picks up the bank deposits, consisting of cash and negotiable instruments, two or three times a week, depending on volume. This frequency of armored guard pick-ups is regulated to minimize armored guard costs without overly impacting float in the deposit system.

The 2013 Cash Handling Policies/Procedures, 2013 Version 1, February 1, 2013 is attached as Appendix B to this report.

Summary Finding

Overall, the CZ&BG appears to have a safe, sophisticated, fine-tuned, and secure process for the handling of their cash receipts and negotiable instruments.

VII. Benchmarking Analysis

As prescribed in the scope of this performance review, Howard, Wershbale & Co. has conducted a comparison of the CZ&GB with several national zoos as well as zoos in Ohio to examine trends in the community of zoos and their potential impact on the CZ&BG. One of the major items impacting comparability within a peer group comparison of zoos is the CZ&BG's business model. Fortunately, the CZ&BG operates using a business model employed by a large majority of its peers in the zoo community. Like many other zoos, the CZ&BG is privately-managed but relies on continued financial support from the public sector. Trends affecting zoos across the nation, including the CZ&BG, include:

- Member visits make up an ever-growing percentage of attendance.
- Costs for new exhibits continue to escalate, while the need to stay competitive with peer zoos in integrating new features drives zoos to build ever larger and more expensive exhibits
- Leadership recognizes the importance of staying flexible within a changing fiscal environment and of appealing to new types of patrons and funding sources as necessary.
- Zoos and their patrons increasingly emphasize the values of sustainability and conservation.
- Efforts are directed at measuring outcomes and demonstrating quantifiable success.
- Zoos as a whole are relying more on earned income and less on public and private funding than in the past.

A comparative analysis of the CZ&BG against Ohio zoos, regional area zoos, selected other North American zoos, and selected Cincinnati area attractions, yielded a favorable outcome for the CZ&BG on an overall basis. A list of the zoos and attractions included in the analysis follows:

Ohio Zoos:

Akron Zoological Park	Akron, Ohio
Cincinnati Zoo & Botanical Garden	Cincinnati, Ohio
Cleveland Metroparks Zoo	Cleveland, Ohio
Columbus Zoo and Aquarium	Powell, Ohio
Toledo Zoological Gardens	Toledo, Ohio

Regional Area Zoos:

Indianapolis Zoo Society, Inc.	Indianapolis, Indiana
Louisville Zoological Garden	Louisville, Kentucky
Pittsburgh Zoo & PPG Aquarium	Pittsburgh, Pennsylvania

Selected North American Zoos:

Chicago Zoological Society – Brookfield Zoo	Brookfield, Illinois
Bronx Zoo	Bronx, New York
Lincoln Park Zoo	Chicago, Illinois
Smithsonian National Zoological Park	Washington, District of Columbia
Omaha's Henry Doorly Zoo	Omaha, Nebraska
Oregon Zoo	Portland, Oregon
Philadelphia Zoo	Philadelphia, Pennsylvania
St. Louis Zoo	St. Louis, Missouri
San Diego Zoo	San Diego, California
Toronto Zoo	Toronto, Ontario, Canada
Zoo Atlanta	Atlanta, Georgia

Cincinnati Area Attractions:

Cincinnati Reds – MLB	Cincinnati, Ohio
Cincinnati Museum Center	Cincinnati, Ohio
Coney Island Amusement Park	Cincinnati, Ohio
Kings Island Amusement Park	Mason, Ohio
Newport Aquarium	Newport, Kentucky
The Beach Waterpark*	Mason, Ohio

* Closed in 2011; scheduled to reopen May 18, 2013.

AAA and Website Zoo Rankings:

Four "Top Ten U.S. Zoos" websites were analyzed, and the CZ&BG was ranked in the Top Ten on two of these websites. Although these rankings cannot be considered truly objective, they are worth mentioning because they suggest the CZ&BG has a strong identity on the national as well as on the regional level. American Automobile Association (AAA) rates the CZ&BG as a "GEM" as they do for most of the other zoos and attractions in their analysis. A "GEM" rating in AAA tour books helps to attract reader attention to the CZ&BG as a place of interest to visit.

Zagat Survey (R), ranks the CZ&BG at 27 out of 30 points and ranks the CZ&BG as one of the top attractions in the Cincinnati Area. Individual consumer ranking on the Zagat website is very favorable, with consumers ranking "Appeal," "Facilities," and "Service," in most instances as being either "Excellent" or "Very Good." Some consumers were critical of the food service and some complained that navigation within the CZ&BG was challenging.

Overall, the CZ&BG has an excellent reputation on a local, regional, and national basis.

Admission Prices:

Compared to Peer Group Zoos, the CZ&BG's admission and parking prices appear to be reasonable, especially given its location within an urban area and its high rankings by Zagat and by the "Top Ten Zoos" websites mentioned on the previous page.

Exhibit 6

Benchmarking / Peer Group Analysis

City	State Prov.	Rating: AAA GEM Y/N	Rating: Top 10 Zoos (3)	Admission: Adult	Admission: Child	Admission: Senior	Parking	Annual Attendance	Total / Operating Acreage	Total Annual Operating Budget	Operating Budget Cost Per Admission
Ohio Zoos:											
Akron	OH	No	None	$ 10.00	$ 7.00	$ 9.00	$ 7.00	315,000	35 / 52	$ 12,734,000	$40.43
Cincinnati	**OH**	**Yes**	**2**	**$ 15.00**	**$ 10.00**	**$ 10.00**	**$ 8.00**	**1,400,000**	**79 / 79**	**$ 27,848,000**	**$19.89**
Cleveland	OH	Yes	1	$ 12.25	$ 8.25	$ 12.25	n/a	1,177,000	80 / 173	$ 30,700,000	$26.08
Columbus	OH	Yes	3	$ 14.99	$ 9.99	$ 10.99	$ 8.00	2,374,000	340 / 580	$ 45,049,000	$18.98
Toledo	OH	Yes	2	$ 14.00	$ 11.00	$ 11.00	$ 6.00	940,000	74 / 74	$ 32,000,000	$34.04
Regional Area Zoos:									**Average - Ohio Zoos**		**$23.90**
Indianapolis	IN	Yes	2	$ 17.00	$ 12.00	$ 16.00	$ 6.00	1,068,000	64 / 64	$ 21,900,000	$20.51
Louisville	KY	Yes	2	$ 14.00	$ 11.00	$ 11.00	$ 5.00	792,000	90 / 134	$ 12,070,400	$15.24
Pittsburgh	PA	Yes	3	$ 10.00	$ 9.00	$ 9.00	n/a	941,000	77 / 77	$ 16,000,000	$17.00
									Average - Regional Zoos		**$17.84**

Within the context of Cincinnati area attractions generally, CZ&BG pricing appears to be even more favorable. The chart below compares CZ&BG admission and parking prices to those of other attractions in the city. The Cincinnati Reds, the Newport Aquarium, and local amusement parks have significantly higher admission prices than does the CZ&BG. The admission prices of the CZ&BG relative to the Cincinnati Museum Center, another highly rated attraction by Zagat, are closely aligned. Overall, the CZ&BG's admission and parking prices are competitive relative to both peer group zoos and to Cincinnati Area Attractions.

Exhibit 7

Benchmarking Analysis- Cincinnati Area Attractions:

	City	State Prov.	Rating: AAA GEM Y/N	Rating: Top 10 Zoos (3)	Admission: Adult	Admission: Child	Admission: Senior	Parking	Annual Attendance
Cincinnati Reds 2012 National League Champions	Cincinnati	OH	N/R	N/A	$22-$ 253	N/A	N/A	$6.00 to $ 25.00	2,347,000
Cincinnati Museum Center - Natural History, Children's and History Museums	Cincinnati	OH	Yes	N/A	$ 12.50	$ 11.50	$ 8.50	$ 6.00	1,300,000
Coney Island Pools and Rides	Cincinnati	OH	N/R	N/A	$ 23.95	N/A	$ 10.95	$ 8.00	Not released
Kings Island	Mason	OH	Yes	N/A	$37.99 to $ 54.99	$ 33.99	$ 33.99	$12.00 to $ 20.00	3,100,000
Newport Aquarium	Newport	KY	Yes	N/A	$ 23.00	$ 15.00	$ 23.00	$0 to $ 8.00	687,500
The Beach Water Park	Mason	OH	N/R	N/A	$ 27.99	$ 19.99	$ 19.99	$ 8.00	N/A

Note: The Beach Water Park was closed in 2011 but is scheduled to reopen May 18, 2013.

Benchmarking vs. Inflation:

The recent growth in popularity of the CZ&BG and its success as an attraction and as a haven for a wide variety of animal species conceal some other benchmarking metrics that may be less favorable. Namely, over the period analyzed, its revenues per admission did not keep up with inflation, while its increases in certain categories of operating expenses exceeded the inflation rate. More specifically, over the period of 2007-2011, the Park Revenues, per admission, increased by 5.79% on a cumulative basis. Over the same period, the Consumer Price Index (the CPI) increased by 13.36%. Both the Exhibits on the following page offer a visual comparison.

Exhibit 8

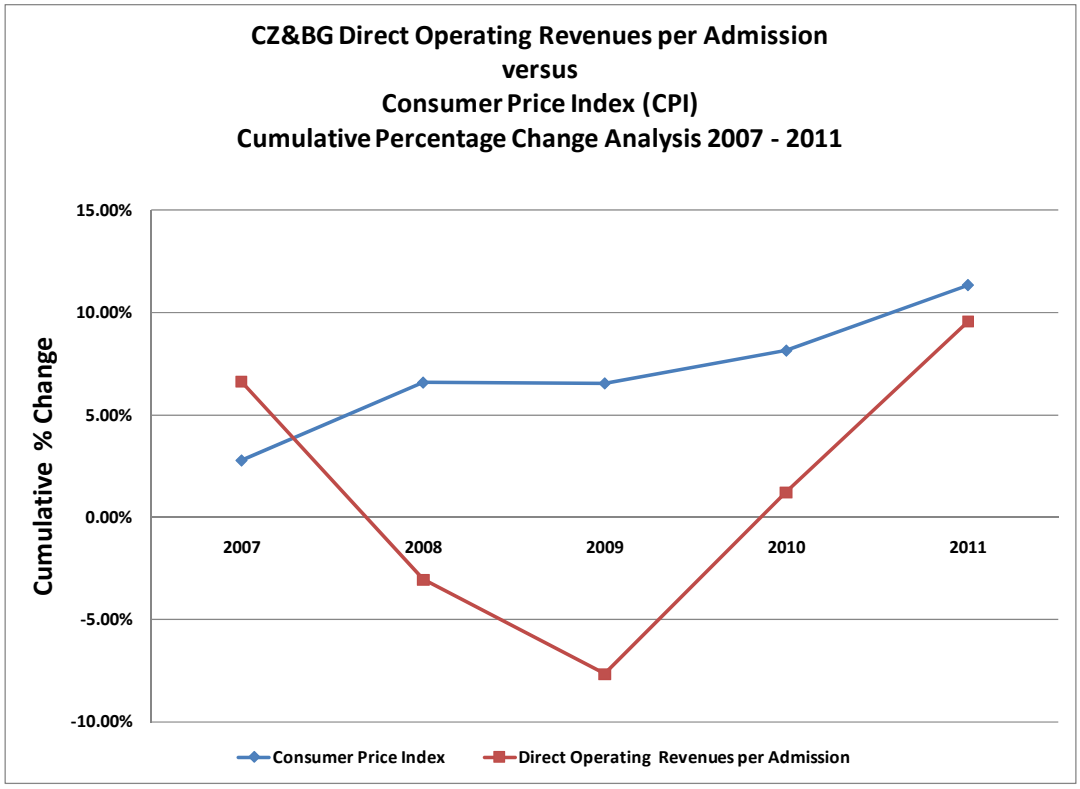


Exhibit 9

CZ&BG - Trend Analysis
Cumulative Percentage Change in CPI versus
Cumulative Percentage Change in Direct Operating Revenue per Admission
Calendar Years 2007 - 2011

Year	Annual Inflation Rate Based on the CPI	Cumulative Change	Direct Operating Revenues per Admission	Annual Percentage Change	Cumulative Percentage Change
2006			$ 11.94		
2007	2.80%	2.80%	$ 12.73	6.62%	6.62%
2008	3.80%	6.60%	$ 12.34	-3.07%	3.35%
2009	-0.04%	6.56%	$ 11.39	-7.67%	-4.57%
2010	1.60%	8.16%	$ 11.53	1.20%	-3.42%
2011	3.20%	11.36%	$ 12.63	9.54%	5.79%

Note 1: CPI data per "usinflationcalculator.com"

Note 2: Direct Operating Revenues per Admission equals Direct Operating Revenues divided by Total Admissions

Note 3: Direct Operating Revenues does not include Program Revenues

As the table above demonstrates, cumulative increases in Park Revenues per admission on a percentage basis, are trailing behind cumulative increases in the CPI. In 2009, the cumulative gap was in excess of 11 percentage points. Since 2010, Park Revenues, per admission, have been closing their trailing gap. The Fiscal Year 2013 forecast (not included in the Exhibits) projects that as of the end of this year, the cumulative gap will have been further reduced.

Summary Finding

The positive upward trend toward closing the cumulative gap between Park Revenues per admission and the CPI should be managed by CZ&BG leadership. If the gap is closed or reversed, the CZ&BG will theoretically become less dependent on CZ&BG's *Tax Levy Funds.*

Exhibit 10

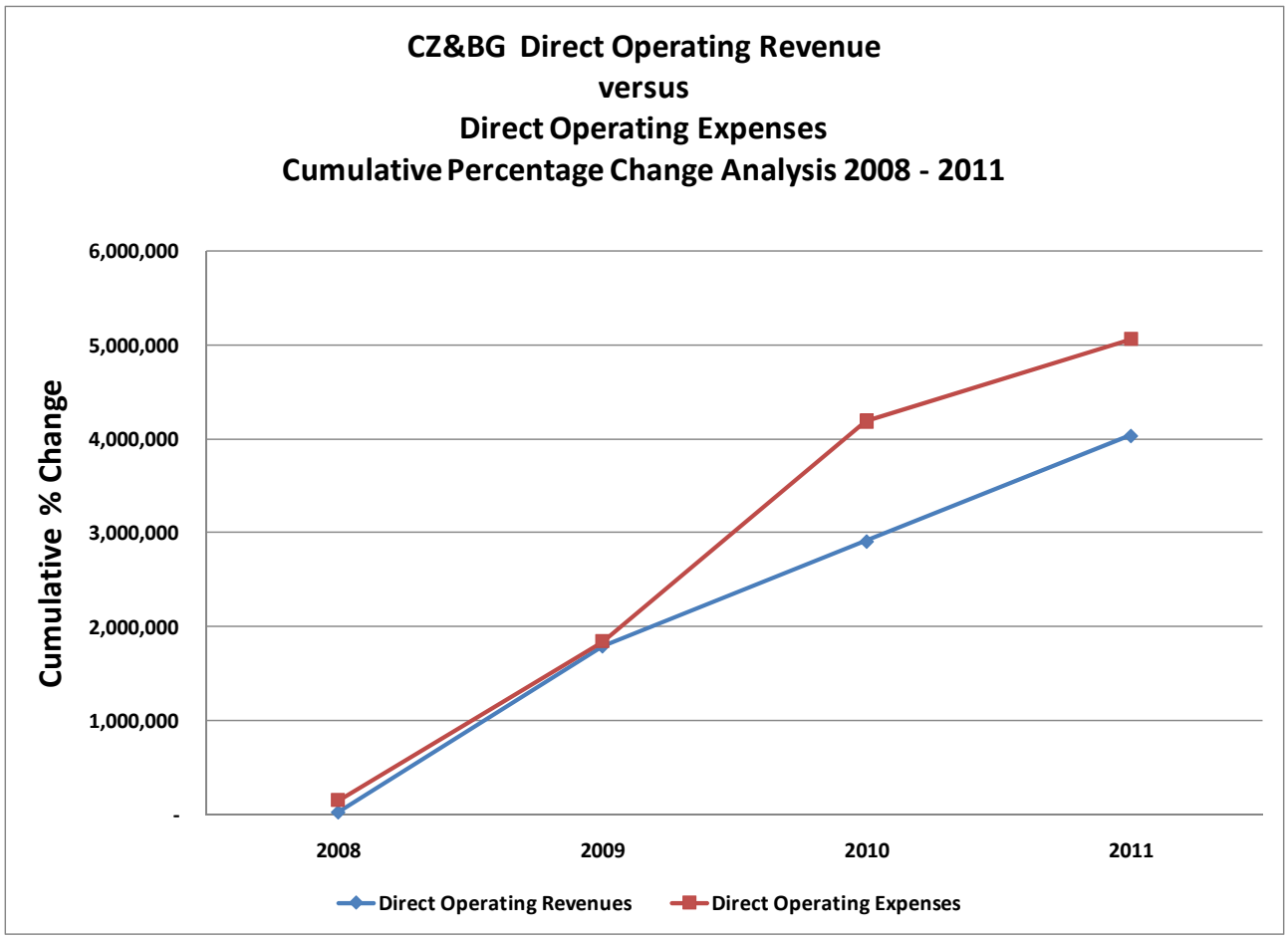


Exhibit 11

Cumulative Percentage Change in Direct Operating Revenues versus
Cumulative Percentage Change in Direct Operating Expenses
Calendar Years 2008 - 2011

	Direct Operating			
	Revenues		Expenses	
Year	Change	Cum.	Change	Cum.
2008	28,929	28,929	157,518	157,518
2009	1,769,571	1,798,500	1,688,470	1,845,988
2010	1,116,082	2,914,582	2,347,046	4,193,034
2011	1,125,203	4,039,785	871,581	5,064,615

Note 1: Direct Operating Revenues do not include Program Revenues

Note 2: Direct Operating Expenses do not include Major Maintenance Expenses

Over the period from 2007-2011 Direct Operating Expenses grew, on a cumulative basis, at a rate faster than the cumulate growth rates of both Direct Operating Revenues and the Consumer Price Index. Over this period, Direct Operating Expenses grew by almost $5.1 million while, over the same period, Direct Operating Revenues lagged behind with growth of only about $4.0 million.

Summary Finding

If Direct Operating Revenues continue to lag behind Direct Operating Expenses, then the CZ&BG will remain dependent on the Tax Levy.

The Exhibits below and on the following page show the relationship between changes in Net Operating Expenses per Admission and changes in Total Admissions over the last Levy period.

Exhibit 12

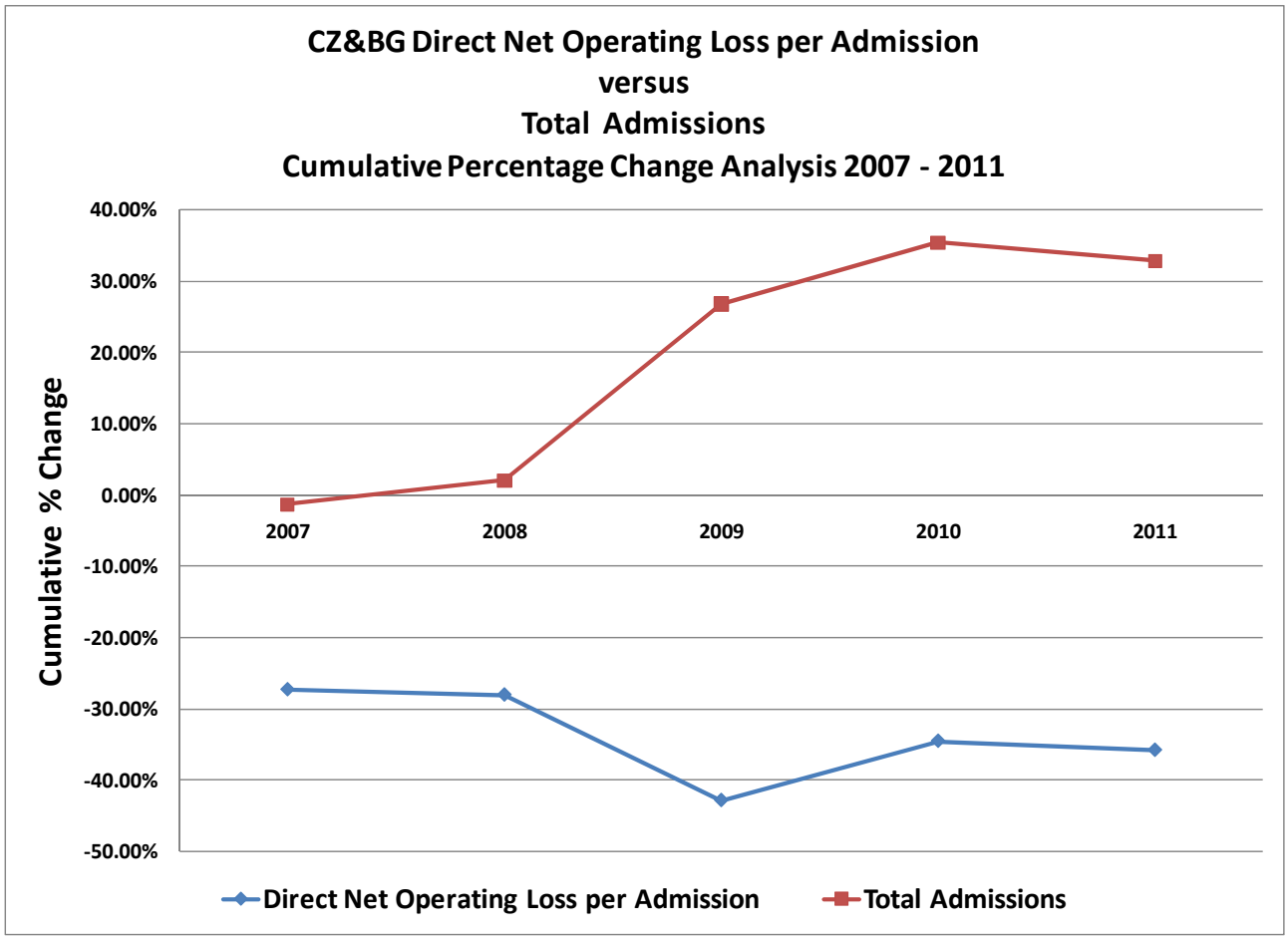


Exhibit 13

CZ&BG -Direct Net Operating Loss per Admission vs. Total Attendance
Cumulative Percentage Change
Calendar Years 2007 - 2011

Year	Direct Net Operating Loss per Admission	Annual Percentage Change	Cumulative Percentage Change	Total Admissions	Annual Percentage Change	Cumulative Percentage Change
2006	$ (7.91)			961,002		
2007	$ (5.76)	-27.22%	-27.22%	949,658	-1.18%	-1.18%
2008	$ (5.70)	-1.02%	-27.96%	982,043	3.41%	2.19%
2009	$ (4.53)	-20.60%	-42.80%	1,218,892	24.12%	26.84%
2010	$ (5.19)	14.57%	-34.47%	1,301,179	6.75%	35.40%
2011	$ (5.09)	-1.94%	-35.73%	1,276,989	-1.86%	32.88%

Note 1: Direct Net Operating Loss per Admission is the sum of Direct Operating Revenues less Direct Operating Expenses divided by Total Admissions

Note 2: Direct Operating Revenues do not include Program Revenues

Note 3: Direct Operating Expenses do not include Major Maintenance Expenses

Over the period of 2007-2011, the Net Direct Operating Loss per Admission of the CZ&BG decreased by 35.73% on a cumulative basis. During the same period the Total Admissions at CZ&BG increased, on a cumulative basis, by 32.88%.

Summary Finding

There appears to be a very strong correlation between the increase of Total Admissions and the decrease in Net Direct Operating Loss per Admission. This correlation would suggest the CZ&BG is dependent on increased Total Admissions in order to maintain its sustainability position.

It would appear a significant decrease in Total Admissions could place significant budgetary pressure on the CZ&BG and could, therefore, increase its dependency on the Tax Levy.

Attendance

Objective analysis of peer group attendance data is made difficult by the different geographical and demographical dynamics relative to individual zoos and attractions in the peer group. However, it is worth noting that the CZ&BG has the highest attendance of all Ohio zoos except for the Columbus Zoo, which has far more operating acreage and a significantly higher operating budget than does the CZ&BG.

Total Operating Cost Per Attendee

Within Ohio, the CZ&BG is second only to the Columbus Zoo in the metric of operating cost per attendee. Columbus takes first place in this measurement primarily due to its higher attendance numbers. The CZ&BG's operating cost per attendee is more than 16% below the average for Ohio zoos, and it is more than 13% below that of the average for the Selected Other North American zoos listed at the start of this section. On the other hand, the zoos within the Other Regional Area zoos category, on average, have a lower operating cost per attendee than does the CZ&BG. This appears to be due, primarily, to lower annual operating budgets.

Overall, the CZ&BG compares very favorably with peer group zoos and with Cincinnati area attractions relative to each of the performance metrics that were analyzed.

Executive Compensation

Our Executive Compensation Analysis covers the following positions:

Chief Executive Officer (CEO)
Chief Operating Officer (COO)
Chief Financial Officer (CFO)

The Executive Compensation Analysis was made using data from Ohio and regional zoos including:

Cincinnati Zoo and Botanical Gardens
Akron Zoo
Columbus Zoo and Aquarium
Toledo Zoo
Indianapolis Zoo
Pittsburgh Zoo and PPG Aquarium

The Cleveland and Louisville Zoos were not included in this analysis due to the fact that they are part of governmental entities and are not subject to the IRS Form 990 filing requirements.

Our compensation analysis is based upon “Total estimated compensation” as defined by the IRS and disclosed in the IRS Form 990. “Total estimated compensation” is the total of “Reportable compensation” and “Estimated other compensation." “Reportable compensation” consists of W-2 and or 1099-MISC compensation including “Base compensation,” “Bonus & incentive compensation” and “Other reportable compensation." “Estimated other compensation” consists of “Retirement and other deferred compensation” and “Nontaxable benefits."

The CZ&BG's Executive Compensation Policy is summarized within its 2011 Form 990 disclosures as follows (2011 was the latest year of IRS Form 990 data available for comparable reporting): “The Executive Committee of the Board of Trustees reviews and approves the Executive Director’s compensation and bonus. Comparability data such as compensation surveys were provided for the committee to review. The Executive Director receives comparability data and determines the compensation and salaries for all other employees.”

The disclosures indicate that the process for determining CEO compensation was not extended to “Other officers or key employees of the organization." All of the other zoos in the analysis, except the Pittsburgh Zoo and PPG Aquarium, did include “Other officers or key employees of the organization” in their independent compensation reviews and policies. Another item of note regarding compensation disclosed in the Form 990 for 2011 (the most recent year for which 990 data was available) was that the CZ&BG "provided some non-fixed payments in the form of bonuses that were tied to performance in general, not to specific revenue or earnings."

The following Exhibit ranks the “Total Estimated Compensation” (total compensation) of the Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer of the CZ&BG against the other Ohio and regional zoos in the comparative analysis.

Exhibit 14

CZ&BG Executive Compensation Analysis
CZ&GB to Other Ohio and Regional Zoos
Using IRS Form 990 Data for 2011 - Note 1

	Ranking Note 2	CZ&BG Above/ Below Median Note 3
Chief Executive Officer:		
Columbus Zoo and Aquarium	1	
Pittsburgh Zoo and PPG Aquarium	2	
Indianapolis Zoo	3	
Cincinnati Zoo and Botanical Gardens	**4**	**-4.7%**
Akron Zoo	5	
Toledo Zoo	6	
Chief Operating Officer:		
Cincinnati Zoo and Botanical Gardens	**1**	**25.7%**
Columbus Zoo and Aquarium	2	
Indianapolis Zoo	3	
Toledo Zoo	4	
Akron Zoo	5	
Pittsburgh Zoo and PPG Aquarium	6	
Chief Financial Officer:		
Columbus Zoo and Aquarium	1	
Indianapolis Zoo	2	
Cincinnati Zoo and Botanical Gardens	**3**	**19.2%**
Akron Zoo	4	
Pittsburgh Zoo and PPG Aquarium	5	
Toledo Zoo	6	

Note 1: 2011 was the latest year of IRS Form 990 data available for a comparable reporting analysis

Note 2: Ranking was based on "Total Estimated Compensation" as disclosed in IRS Form 990 as compared to the median of the "Total Estimated Compensation" or the Zoos included in the analysis

Note 3: Median is used due to the differences in the sizes and complexities of the zoos included in the analysis and variability between the job titles and actual span of control for officers at each zoo included in the analysis

Note 4: No data was available for the Cleveland Zoo and Louisville Zoo as they report through governmental agencies and are not required to file on IRS Form 990

As the chart above reveals, the total compensation of the CZ&BG CEO ranked fourth out of six among the other zoos in the analysis. Trailing the median of the five other zoos in the analysis by 4.7%, the CZ&BG CEO's total compensation exceeded only that of the CEOs of the Akron Zoo and the Toledo Zoo among the zoos in the analysis. Since 2011, the Executive Committee of the CZ&BG has taken action to adjust the CEO's total compensation package to be more competitive with other zoos of similar size and similar operations.

By contrast, the CZ&BG COO's total compensation ranked first out of six among the zoos in the analysis, exceeding the median COO compensation in this category by 25.7%. It should be noted there was a higher degree of variability in COO total compensation than there was in CEO total compensation. This variability could be due to differences in job responsibilities or other unknown factors. The variability does not correlate closely with zoo size in acreage, with zoo attendance figures, or with the complexity of operations of the zoo. For example, the COO of the Pittsburgh Zoo and PPG Aquarium, which has high rates of attendance and comparative complex operations, had the lowest COO total compensation within all of the zoos in the analysis.

The CFO of the CZ&BG earned compensation that ranked third out of six among the zoos in the analysis. On the other hand, the CZ&BG CFO's total compensation exceeded the median CFO compensation within the five other zoos in the analysis by 19.2%. Like COO total compensation, CFO total compensation varied between zoos far more than did CEO total compensation. This variability could be due to differences in job responsibilities or to other, unknown factors. For example, at the CZ&BG, the title of CFO is actually Vice President of Administration and CFO. This would indicate a broader span of control and level of responsibility above that of being the CFO only. During our review, we noted that the Vice President of Administration and CFO of the CZ&BG did in fact have a span of control greater than the responsibilities that are normally associated with the title of CFO. The variability does not appear to necessarily be due to the size or complexity of the zoo. The Pittsburgh Zoo and PPG Aquarium, a complex, high-attendance zoo, was again an outlier. This zoo earned the second lowest total compensation among all of the zoos in the analysis.

Summary Finding

The Board of Trustees and the CEO of the CZ&BG appear to be effectively managing the total compensation of executive management personnel on a competitive basis that is conducive to sustainability and management continuity.

Annual Levy Support of Ohio Zoos

The chart below provides a limited data set for the comparison of Ohio zoos' relative reliance on Tax Levies to fund their operating and capital expenditures. It indicates that levy support for CZ&BG operating expenses is not unreasonable within this comparison group.

Exhibit 15

Annual Levy Support for Ohio Zoos
Comparison Analysis - Based on the Levies that are Currently in Effect
(All amounts in millions of dollars)

Zoo / Taxing Authority	Type of Funding: Operating	Type of Funding: Capital	Total Funding	
Cincinnati Zoo				
Hamilton County	7.1	-	7.1	
Columbus Zoo				
Franklin County	7.4	11.1	18.5	
Toledo Zoo				
Lucas county	6.2	7.6	13.8	
Akron Zoo				
Summit County	-	-	8.1	Note 1

Note 1: The Summit County Zoo levy did not provide a break-out between the operating and capital portions of the levy.

Note 2: The Cleveland Metroparks Zoo is operated by the Cleveland Metropolitan Park District which receives funds from a Cuyahoga County levy. The amounts of funds allocated to the Cleveland MetroParks Zoo are not disclosed in the Park District's financial statements.

VIII. Financial Analysis

Review of Past Financial Statements and Analysis of Trends

Our financial analysis of the CZ&BG is based on our review of historical audited financial statements and internal trial balance and general ledger data provided by management. A summary of the 2007-2011 balance sheet and operating results is included in Appendix A. We have focused on calendar years 2007-2011 because 2007 is the last year of the previous levy review, while calendar year 2011 is the most recent audited full year available at the performance report date. Effective March 31, 2012, the CZ&BG changed its year end from December 31 to March 31. As a result of this change, December 31, 2012 audited financial statements were not prepared. We included internal, unaudited December 31, 2012 data when it is available. It should be noted, however, that year end adjustments and allocations previously recorded at December 31 are now recorded at March 31, making provisional December 31, 2012 data potentially less comparable to prior calendar years.

We begin with an analysis of the historical and current financial strength of the CZ&BG by analyzing the make up of the balance sheet. We then reviewed historical capital expenditures and how they have been funded as well as the status of current and future capital projects.

Our operating results analysis segregates direct earned revenues and direct expenses (which correlate with attendance, animal care, and park operations) from other sources of funds such as levy support, gifts, grants, and donations and from other expenditures such as those for fundraising, for capital projects, and for major maintenance.

The CZ&BG receives gifts, grants, and donations that are either restricted by the donor for a specific use or are unrestricted and therefore to be spent or invested at the discretion of the CZ&BG Board. We have prepared an analysis of the historical volume of these funds and how the funds have been used. Finally, the usage and overall impact of historical levy funding provided by Hamilton County has been quantified in our analysis.

Balance Sheet Analysis

A summary of the CZ&BG's audited 2007-2011 balance sheets are presented in Appendix A. The data from the following financial strength, capital additions, capital budgets, and debt analysis was derived from the 2007-2011 audited statements supplemented by additional information provided by CZ&BG management.

Short-term Financial Strength

We measured the short-term financial strength of the CZ&BG by calculating unrestricted working capital for 2007-2011, defined as restricted and unrestricted current assets less current liabilities, pledges, funds related to capital improvements and donor-restricted endowment funds. As a general rule, every entity, whether private or public, must maintain sufficient working capital to meet its current obligations and to remain a viable going concern.

Exhibit 16

Short Term Financial Strength Analysis	2007	2008	2009	2010	2011
Current Assets					
Cash and cash equivalents	$ 1,528,236	$ 809,758	$1,438,362	$1,082,314	$1,449,272
Trade and other receivables	1,062,238	1,140,264	724,770	929,613	1,141,112
Pledges receivable in less than one year	3,160,322	1,947,541	2,331,141	1,470,053	1,190,727
Prepaid expenses and supplies	100,300	103,186	63,123	166,079	286,963
Investments - Zoo Society	11,345,704	12,350,694	9,499,546	8,951,711	7,897,194
Investments - Endowment Fund	21,090,159	14,267,065	15,228,823	16,120,739	16,332,804
Restricted and unrestricted current assets	38,286,959	30,618,508	29,285,765	28,720,509	28,298,072
Current Liabilities					
Accounts payable	1,480,238	2,048,576	1,750,130	2,969,431	3,265,439
Accrued expenses	2,362,371	1,828,978	2,163,999	2,425,883	3,063,355
Line of credit	1,200,000	2,600,000	-	-	800,000
Notes Payable - current	334,965	617,430	912,856	777,563	1,123,000
Bond Payable - current	755,000	760,000	770,000	775,000	680,000
Capital Lease Obligation -current	81,047	81,839	49,321	41,940	34,271
Current liabilities	6,213,621	7,936,823	5,646,306	6,989,817	8,966,065
Current assets less current liabilities	32,073,338	22,681,685	23,639,459	21,730,692	19,332,007
Less: Pledges for capital improvements	(3,160,322)	(1,947,541)	(2,331,141)	(1,470,053)	(1,190,727)
Less: Zoo Society investments restricted for capital	(10,352,869)	(11,663,245)	(8,484,290)	(8,161,323)	(7,096,639)
Less: Donor restricted endowment fund investments	(8,049,585)	(6,099,873)	(7,232,452)	(7,931,394)	(8,332,456)
Plus: Capital purchases in accounts payable	-	960,559	213,501	495,810	417,525
Unrestricted working capital	**$10,510,562**	**$ 3,931,585**	**$5,805,077**	**$4,663,732**	**$3,129,710**

As the chart on the previous page reveals, unrestricted working capital dropped by $6.6 million between 2007 and 2008 before partially recovering in 2009. (This drop can be attributed at least in part to the 2008 financial crisis.) From 2009 to 2011, unrestricted working capital decreased by $2.7 million to $3.1 million at December 31, 2011. The reduction in unrestricted working capital is largely due to the fact that funds in excess of cash flows are being used to pay down interest-bearing debt and to fund major maintenance and capital projects. Although it appears that the CZ&BG has sufficient working capital to meet its current obligations, the negative unrestricted working capital trend is a concern and could impair the entity's ability to operate in the event attendance and/or other funding declines.

Summary Finding

The downward trend in unrestricted working capital trend should be of concern to CZ&BG management as it could, if unchecked, ultimately impair the CZ&BG's sustainability over the long-term should attendance rates drop and/or other funding sources decline.

Long-term Financial Strength

We measured the long-term financial strength of the CZ&BG by first adding together unrestricted working capital and long-term assets from which capital-related items had been excluded. We then subtracted long-term liabilities from this total. While the short-term analysis above focused on working capital and the CZ&BG's ability to meet current obligations, the long-term financial strength analysis focuses on the entity's ability to grow long-term (noncapital) assets as well to reduce its reliance on long-term debt.

Exhibit 17

Long-Term Financial Strength Analysis	2007	2008	2009	2010	2011
Unrestricted working capital	10,510,562	3,931,585	5,805,077	4,663,732	3,129,710
Long-term restricted assets:					
Donor restricted endowment fund investments	8,049,585	6,099,873	7,232,452	7,931,394	8,332,456
Beneficial interest in trusts	3,433,725	2,587,429	3,145,215	3,476,089	3,193,603
Bond indenture deposits and costs	1,777,398	1,850,433	1,902,885	1,966,489	2,006,391
Long-term restricted assets	13,260,708	10,537,735	12,280,552	13,373,972	13,532,450
Assets with capital related items excluded	23,771,270	14,469,320	18,085,629	18,037,704	16,662,160
Long-term liabilities:					
Notes payable - long-term	2,831,573	2,154,143	4,238,143	2,823,580	1,675,500
Bonds payable - long-term	10,017,616	9,254,958	8,482,299	7,704,641	7,021,992
Capital lease obligations - long-term	83,177	714	77,441	45,975	11,208
Pooled income liability	79,552	81,913	78,972	76,404	73,770
Gift annuity obligations	312,571	327,877	316,152	317,116	306,657
Agent liabilities	129,134	303,609	205,894	224,723	103,389
Long-term Liabilities	13,453,623	12,123,214	13,398,901	11,192,439	9,192,516
Total Net Assets with capital related items excluded	**$10,317,647**	**$ 2,346,106**	**$4,686,728**	**$6,845,265**	**$7,469,644**
Capital and funds earmarked for capital:					
Property and Equipment net	58,742,831	63,957,043	71,701,060	72,096,884	74,267,489
Bond Issuance costs	51,930	48,742	45,554	42,366	39,178
Pledges receivable for capital	8,649,758	6,292,219	4,783,672	3,466,995	7,209,199
Zoo Society investments restricted for capital	10,352,869	11,663,245	8,484,290	8,161,323	7,096,639
Capital purchases in accounts payable	-	(960,559)	(213,501)	(495,810)	(417,525)
	77,797,388	81,000,690	84,801,075	83,271,758	88,194,980
Total Net Assets	88,115,035	83,346,796	89,487,803	90,117,023	95,664,624

The analysis displayed in the chart above shows that between 2007 and 2008, net assets with capital related items excluded dropped by $8.0 million before partially recovering in 2009, once the 2008 financial crisis was more or less resolved. From 2009 to 2011, net assets with capital-related items excluded increased by $2.8 million as a result of increases in long-term restricted assets and of the repayment of long-term debts. This is an indication the overall long-term financial strength of the CZ&BG is improving and the capital expansion over this period was not funded by long-term debt.

Summary Finding

The overall long-term financial strength of the CZ&BG appears to have improved between 2009 and 2011. During this period, net assets with capital-related items excluded increased by $2.8 million, an indication the recent trend in overall long-term financial health is a favorable one.

Capital Additions

The CZ&BG's considerable expansion in both buildings and in outdoor displays over the last five years is quantified in the Exhibit below.

Exhibit 18

Property and Equipment Analysis

As of December 31;	2007	2008	2009	2010	2011
Land	$11,429,294	$11,514,528	$11,814,528	$11,904,428	$13,163,022
Buildings and outdoor displays	88,052,400	88,347,137	114,004,095	114,344,020	114,997,986
Equipment and tools	6,165,381	6,202,363	6,504,424	6,602,652	6,538,666
Furiture and fixtures	1,136,434	1,136,434	1,235,161	1,237,865	1,300,248
Capital Leases	892,204	892,204	1,054,365	1,054,365	1,055,146
Construction-in-progress	10,369,414	18,358,437	3,231,051	7,348,734	11,864,035
Property and Equipment at Cost	118,045,127	126,451,103	137,843,624	142,492,064	148,919,103
Less accumulated depreciation	(59,302,296)	(62,494,060)	(66,142,564)	(70,395,180)	(74,651,614)
Property and Equipment, net	$58,742,831	$63,957,043	$71,701,060	$72,096,884	$74,267,489

Totals for both Property and Equipment at Cost and for amounts adjusted for accumulated depreciation have significantly increased over the period studied. Details on the CZ&BG's capital additions are laid out in the Exhibit below.

Exhibit 19

Capital Expenditures & Major Maintenance
Five Year History 2007 - 2011

Description	2007	2008	2009	2010	2011	Total 2007-2011
Vine Street Village	$1,483,132	$5,127,611	$8,216,742	$ 41,795	$ (1,354)	$14,867,926
African Savannah	25,357	257,367	1,638,691	2,997,599	2,058,178	6,977,193
Cat Canyon	2,021	28,389	144,622	1,135,394	2,457,123	3,767,548
Land	945,815	85,234	300,000	7,979	1,370,120	2,709,148
Vanishing Giants	1,872,196	780,277	35,543	-	-	2,688,016
Africa: Giraffe	307,562	1,404,335	-	-	-	1,711,897
Gorilla Forest	9,767	364,224	180,508	-	-	554,499
Equipment & Tools		36,982	302,061	98,229		437,272
Buildings & Outdoor Displays	67,751	184,187	84,987	81,920		418,846
Computers	46,186	62,397	93,922	70,145	35,806	308,457
Simex Theater	293,415	-	-	-	-	293,415
Houses Held for Rent	-	-	-	-	223,658	223,658
Furniture & Fixtures	-	-	98,727	2,704	62,383	163,815
Capitalized Lease Equipment	-	-	162,161	-	781	162,942
Mast Farm	480	-	-	-	156,600	157,080
Cheetah Yard Expansion	144,050	-	-	-	-	144,050
Houses Acquired for Land	-	-	-	96,132	117,677	213,809
Artwork	-	-	-	-	105,000	105,000
Exhibit Technology	16,450	6,692	27,391	35,301	18,010	103,843
Animal Wellness Village	96,647	-	-	-	-	96,647
Hospital	95,735	-	-	-	-	95,735
Tech Cabling	8,549	-	58,619	21,878	4,050	93,096
Software	6,360	3,561	-	59,365	-	69,286
Jungle Trails	-	42,475	25,917	-	-	68,392
Manatee Springs	27,116	17,448	19,796	-	-	64,360
Bogen Farm	-	-	-	-	55,000	55,000
Bird House	-	42,585	-	-	-	42,585
Education Center	42,586	(7)	-	-	-	42,579
OZOCOW General	6,500	26,827	2,832	-	-	36,159
Parking Lot	29,400	-	-	-	-	29,400
Lords of the Arctic	-	17,522	-	-	-	17,522
Lorikeet Landing	15,857	-	-	-	-	15,857
Train	6,600	-	-	-	-	6,600
Wild Sumatra	6,176	-	-	-	-	6,176
Total Capital Additions	**5,555,704**	**8,488,107**	**11,392,519**	**4,648,441**	**6,663,032**	**36,747,804**
MM - Funded (funded via a grant or a donor gift)	237,172	987,203	510,657	1,314,735	367,488	3,417,255
MM - Unfunded	71,366	46,681	421,448	815,848	1,633,099	2,988,442
Total Major Maintenance	**308,539**	**1,033,884**	**932,105**	**2,130,583**	**2,000,587**	**6,405,698**
Total Capital & Major Maintenance	**$ 5,864,243**	**$ 9,521,991**	**$ 12,324,624**	**$ 6,779,024**	**$ 8,663,619**	**$ 43,153,501**

Of note in the data above is that the largest addition, “Vine Street Village,” comprises the construction of a new parking lot, a bridge, and a new park entrance. Land purchased in 2007 was used for the new parking lot, while land acquired in 2009 and 2011 represents gifts to the CZ&BG rather than expenditures. Other land additions and house purchases above relate to properties located in the direct vicinity of the CZ&BG. Management has indicated that properties being purchased around the CZ&BG are being acquired in many cases as part of a strategic plan to improve the neighborhood surrounding the CZ&BG. Other land acquisitions are tied to long-term strategies, however, it should be noted there are no immediate plans to expand outside of the CZ&BG's present footprint.

Review of Major Maintenance Expenditures

According to our findings, major maintenance projects are generally undertaken when the CZ&BG's management has determined that an operating surplus is available or when funds from unrestricted gifts are earmarked for major maintenance by the board. During 2011, $760,975 of unrestricted estate gifts was used for major maintenance projects. The following Exhibit provides a sample of some of the larger items included in major maintenance.

Exhibit 20

2009 Major Maintenance and Surplus Projects		2010 Major Maintenance and Surplus Projects		2011 Major Maintenance and Surplus Projects	
Commissary Freezer	$ 40,000	Manatee Pumps/motors/drives	$ 60,000	Galapagos Tortoise Project	$ 200,000
Volunteer carts	20,000	Ed Center Classroom IT Upgrades	14,000	Quarantine Upgrade for USDA	25,000
Ed Center Controls	85,000	Remaining Network Switches	6,000	Train Tracks	650,000
Tree Tops Roof	29,000	New sand media for Manatee	9,000	Wildlife Canyon Public Walkway	25,000
Park Lighting - Phase 1	60,000	Animal Caging	30,000	Red Panda Pavers	15,000
Meters	30,000	Graphics Vinyl Cutter and Computer	6,000	Snow Monkey Pavers	25,000
Insectariums Humidifier	6,000	General Signage replacement	4,000	Quarantine Roof Replacement	25,000
Hospital Controls - Phase 2	20,000	A/V for Keeper Encounters	5,000	Phase 3 of Park Lighting	73,234
Park Spruce Up	30,000	More PC's	5,000	Poles and Peelers	15,000
Cat Canyon Asphalt	17,000	Retaining Wall Across From Bird House	30,000	Snow Monkey Railing	25,000
Asphalt Main Loop	30,000	Camel Chute	5,000	New Firewall for IT	10,000
General A/V	15,000	Black Rhino Yard Modifications	25,000	Carpet Cleaners	6,000
PC's	18,000	Meters	16,500	Otter and Surrounding Area	70,000
	$ 400,000	Forest Avenue Hill Heave	115,000	Camel Yard Modifications	40,000
		Arc Flash electrical issues phase 1	30,000	Elephant Pool Filtration	155,000
		Insectariums Keeper Encounter	5,000	Insectariums HVAC	135,000
		Lemur Island Moat	7,000	Total	$ 1,494,234
		Turkey demo/otter work/food prep	16,400		
		Solar Tubes at Manatee and CZ	6,000		
		Interior Lighting Upgrades	23,000		
		Train Tracks	19,800		
		Polar Bear Pumps/Motors	20,100		
		Back up power wiring for CREW/Hospital	22,000		
		Other back up power upgrades	21,600		
		Park Lighting Phase 2	50,000		
		CREW Floors Phase 1	25,000		
		Train Depot roof and shed	15,000		
		Safari Camp Picnic Area Upgrades	30,000		
		Polar Bear Moat Modification	20,000		
			$641,400		

The items above represent a partial listing of major maintenance projects provided by the CZ&BG's Senior Director of Facilities, Planning, and Sustainability. Significant items in 2010 include the fortification of the hill on Forest Avenue and upgrades to park lighting. Major maintenance in 2011 includes the replacement of elevated train tracks, a Galapagos tortoise project, an upgrade of the elephant pool filtration system, and several HVAC upgrades. Management has indicated the CZ&BG has a very old infrastructure and the list of needed big ticket repairs, upgrades, and refurbishments is expected to continue to grow. It may be appropriate for leadership of the CZ&BG to work toward identifying one or more consistent sources of funds for these large and costly repairs.

Summary Finding

The CZ&BG has an aging and vulnerable infrastructure. Funding requirements for future major maintenance projects, upgrades and refurbishments are expected to continue to increase. This puts pressure on the CZ&BG to find a consistent source of funds for these large and costly repairs.

It appears the CZ&BG is not consistently adhering to its "Property and equipment" accounting policy as disclosed in its U.S. GAAP basis audited financial statements. The CZ&BG's "Property and Equipment" accounting policy states that:

> "Expenditures for equipment, buildings and improvements made from the funds of the Society are capitalized at cost."

Some examples of such disbursements include: Train tracks totaling $650,000, the Elephant Pool Filtration System totaling $155,000, and the Galapagos tortoise project totaling $200,000.

The impact of expensing such items, rather than capitalizing them, is to overstate expense in the year of the disbursement and understate expense during subsequent years when the equipment or improvements would have been being depreciated over their useful lives.

We recommend management review its capitalization policy and consider how this policy is being applied, especially as this relates to financial statement presentation and classification.

Capital Project Budgets and Cash Flows

The following Exhibit summarizes cash received, cash spent, and the remaining amount to be spent on open capital projects:

Exhibit 21

Our Zoo, Our Community, Our World Cash Flow Projection
Updated as of 12/31/12

Project	As of FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018 - 2021	Total
Unrestricted								
Cash & Pledge Payments	$ 9,506,089	$ 78,805	$ 47,410	$ 14,000	$ 8,500	$ -	$ -	$ 9,654,804
Transfer Out to Projects	(9,506,089)	(78,805)	(47,410)	(14,000)	(8,500)	-	-	(9,654,804)
Spent	-	-	-	-	-	-	-	-
Remaining Construction Spend	-	-	-	-	-	-	-	-
Net Cash Flow Annually	**0**	**(0)**	**-**	**-**	**-**	**-**	**-**	**(0)**
Net Cash Flow To Date	**0**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
Vine Street Village (Main Entry/Bull Elephant)								
Cash & Pledge Payments	9,207,412	-	-	-	-	-	-	9,207,412
Transfer In From Unrestricted	9,364,536	78,805	47,410	14,000	8,500	-	-	9,513,251
Spent	(19,008,017)	-	-	-	-	-	-	(19,008,017)
Remaining Construction Spend		-	-	-	-	-	-	
Net Cash Flow Annually	**(436,069)**	**78,805**	**47,410**	**14,000**	**8,500**	**-**	**-**	**(287,354)**
Net Cash Flow To Date	**(436,069)**	**(357,265)**	**(309,855)**	**(295,855)**	**(287,355)**	**(287,355)**	**(287,355)**	**(287,355)**
Cat Canyon								
Cash & Pledge Payments	3,606,257	1,362,355	45,000	300,000	300,000	300,000	-	5,913,612
Transfer In From Unrestricted	-	-	-	-	-	-	-	-
Spent	(5,000,017)	(1,105,725)	-	-	-	-	-	(6,105,743)
Remaining Construction Spend	(1)	-	-	-	-	-	-	
Net Cash Flow Annually	**(1,393,761)**	**256,629**	**45,000**	**300,000**	**300,000**	**300,000**	**-**	**(192,131)**
Net Cash Flow To Date	**(1,393,761)**	**(1,137,132)**	**(1,092,132)**	**(792,132)**	**(492,132)**	**(192,132)**	**(192,132)**	**(192,132)**
African Savannah/Cheetah Encounter								
Cash & Pledge Payments	6,448,749	4,754,379	1,372,533	1,380,641	1,127,308	988,077	2,015,000	18,086,687
Transfer In From Unrestricted	-	-	-	-	-	-	-	-
Spent	(7,931,233)	(4,251,434)	-	-	-	-	-	(12,182,667)
Remaining Construction Spend		(1,700,071)	(4,251,875)	(750,000)	(6,500,000)	(4,883,209)	-	(18,085,155)
Net Cash Flow Annually	**(1,482,484)**	**(1,197,126)**	**(2,879,342)**	**630,641**	**(5,372,692)**	**(3,895,132)**	**2,015,000**	**(12,181,136)**
Net Cash Flow To Date	**(1,482,484)**	**(2,679,610)**	**(5,558,952)**	**(4,928,311)**	**(10,301,003)**	**(14,196,135)**	**(12,181,135)**	**(12,181,135)**
Wild Sumatra								
Cash & Pledge Payments	100,000	-	-	-	-	-	-	100,000
Transfer In From Unrestricted	-	-	-	-	-	-	-	-
Spent	(49,465)	49,465	-	-	-	-	-	
Remaining Construction Spend	-	-	-	-	-	-	-	-
Net Cash Flow Annually	**50,535**	**49,465**	**-**	**-**	**-**	**-**	**-**	**100,000**
Net Cash Flow To Date	**50,535**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
Animal Wellness Village								
Cash & Pledge Payments	1,645,716	10,000	10,000	10,000	10,000	-	-	1,685,716
Transfer In From Unrestricted	-	-	-	-	-	-	-	-
Spent	(1,685,716)	-	-	-	-	-	-	(1,685,716)
Remaining Construction Spend	-	-	-	-	-	-	-	
Net Cash Flow Annually	**(40,000)**	**10,000**	**10,000**	**10,000**	**10,000**	**-**	**-**	**-**
Net Cash Flow To Date	**(40,000)**	**(30,000)**	**(20,000)**	**(10,000)**	**0**	**0**	**0**	**0**
Gorilla Forest								
Cash & Pledge Payments	455,966	-	-	-	-	-	-	455,966
Transfer In From Unrestricted	141,553	-	-	-	-	-	-	141,553
Spent	(597,519)	-	-	-	-	-	-	(597,519)
Remaining Construction Spend	-	-	-	-	-	-	-	
Net Cash Flow Annually	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**0**
Net Cash Flow To Date	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Giraffe Ridge								
Cash & Pledge Payments	1,732,178	-	-	-	-	-	-	1,732,178
Transfer In From Unrestricted	-	-	-	-	-	-	-	-
Spent	(1,732,178)	-	-	-	-	-	-	(1,732,178)
Remaining Construction Spend	-	-	-	-	-	-	-	-
Net Cash Flow Annually	**(0)**	**-**	**-**	**-**	**-**	**-**	**-**	**(0)**
Net Cash Flow To Date	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**
GRAND TOTAL CAPITAL								
Cash & Pledge Payments	**32,702,367**	**6,205,538**	**1,474,943**	**1,704,641**	**1,445,808**	**1,288,077**	**2,015,000**	**46,836,374**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Spent	**(36,004,146)**	**(5,307,694)**	**-**	**-**	**-**	**-**	**-**	**(41,311,840)**
Remaining Spend	**(1)**	**(1,700,071)**	**(4,251,875)**	**(750,000)**	**(6,500,000)**	**(4,883,209)**	**-**	**(18,085,156)**
NET CASH FLOW ANNUALLY	**(3,301,780)**	**(802,227)**	**(2,776,932)**	**954,641**	**(5,054,192)**	**(3,595,132)**	**2,015,000**	**(12,560,622)**
NET CASH FLOW TO DATE	**$ (3,301,780)**	**$ (4,104,007)**	**$ (6,880,939)**	**$ (5,926,298)**	**$ (10,980,490)**	**$ (14,575,622)**	**$ (12,560,622)**	**$ (12,560,622)**

As the Exhibit above indicates, the Africa Savannah/Cheetah project is the only active major capital project in progress at the date of this report. With the exception of the collection of long-term pledges, all past projects have been completed.

The following Exhibit provides additional detail for the Africa Savannah/Cheetah project:

Exhibit 22

OZOCOW - Africa Budget Updated as of 12/31/12 Project	As Of FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
Budget							
Spent	$ (336,798)	$ -	$ -	$ -	$ -	$ -	$ (336,798)
Parking Lot Expansion (Dury, East Vine, Houses)	(1,638,649)	-	-	-	-	-	(1,638,649)
Cheetah Show/Giraffe Expansion/Flamingo/POS	(2,385,000)	-	-	-	-	-	(2,385,000)
MSD	(1,046,233)	(287,865)	(150,000)	-	-	-	(1,484,098)
Back of House	(1,639,553)	(73,640)	-	-	-	-	(1,713,193)
Design/Master Planning/Misc.	(323,000)	(40,000)	(36,875)	-	-	-	(399,875)
Lion/Cheetah/Restaurant (Phase 3)	(562,000)	(5,500,000)	(3,915,000)	-	-	-	(9,977,000)
African Savannah & Wild Dog (Phase 4)	-	(25,000)	(75,000)	(250,000)	(3,000,000)	(2,019,183)	(5,369,183)
Nile Hippo and Nile Croc (Phase 5)	-	(25,000)	(75,000)	(500,000)	(3,500,000)	(2,864,026)	(6,964,026)
Spend Total	**(7,931,233)**	**(5,951,505)**	**(4,251,875)**	**(750,000)**	**(6,500,000)**	**(4,883,209)**	**(30,267,822)**
Less: Money Spent							
African Savannah	(7,787,564)	(4,184,446)	-	-	-	-	(11,972,010)
Computers	(30,496)	-	-	-	-	-	(30,496)
Technology Cabling	(17,856)	-	-	-	-	-	(17,856)
Exhibit Technology	(10,841)	(26,424)	-	-	-	-	(37,265)
Software	-	-	-	-	-	-	-
Furniture & Fixtures	(20,183)	(173)	-	-	-	-	(20,356)
Equipment & Tools	(64,294)	(40,391)	-	-	-	-	(104,685)
Total Money Spent To Date	**(7,931,233)**	**(4,251,434)**	**-**	**-**	**-**	**-**	**(12,182,667)**
Remaining Budget	**$ 0**	**$ (1,700,071)**	**$ (4,251,875)**	**$ (750,000)**	**$ (6,500,000)**	**$ (4,883,209)**	**$ (18,085,155)**

Management has indicated the actual start dates of Phases 4 and 5 are contingent on capital fundraising and pledge commitments. The budget above estimates that Phases 4 and 5 will be completed concurrently between 2016 and 2017.

Bank and Bond Debt Analysis

The CZ&BG has had outstanding lines of credit, notes payable and bonds payable over the full term of the most recent levy period. In our analysis, we are focusing on these credit relationships as of March 31 and December 31, 2012.

Lines of credit:
The CZ&BG primarily uses lines of credit to meet short-term liquidity requirements.

The CZ&BG currently has one outstanding line of credit in the amount of $4,500,000. This line expires on November 30, 2013 and bears an interest rate of LIBOR plus 1.75%. The CZ&BG had $-0 - and $1,500,000 outstanding on this line of credit as of December 31, 2012 and March 31, 2012, respectively.

Notes and Bonds Payable

Exhibit 23

CZ&BG Bond and Note Debt
Amortization Schedule
(Totals agreed to Audited Financial Statements)

Fiscal Year	G-1227 Bond	$4 Million Port Authority	$.75 Million Port Authority	**Total Bonds**	3427 Vine Refinance	Education Center and Hospital	OZOCOW VSV Capital	OZOCOW Cat Canyon Capital	**Total Notes**	**Total Bonds & Notes**
2013	450,000	190,000	40,000	680,000	110,000	388,000	375,000	250,000	1,123,000	1,803,000
2014	450,000	195,000	40,000	685,000	110,000	388,000	375,000	250,000	1,123,000	1,808,000
2015	455,000	200,000	40,000	695,000	110,000			500,000	610,000	1,305,000
2016	455,000	205,000	40,000	700,000	110,000			250,000	360,000	1,060,000
2017	460,000	210,000	35,000	705,000	55,000			450,000	505,000	1,210,000
2018	450,000	220,000	35,000	705,000				300,000	300,000	1,005,000
2019	460,000	225,000	35,000	720,000						720,000
2020	470,000	230,000	35,000	735,000						735,000
2021	470,000	240,000	35,000	745,000						745,000
2022	380,000	245,000	35,000	660,000						660,000
2023		255,000	35,000	290,000						290,000
2024		260,000	35,000	295,000						295,000
2025			35,000	35,000						35,000
2026			35,000	35,000						35,000
	4,500,000	2,675,000	510,000	7,685,000	495,000	776,000	750,000	2,000,000	4,021,000	11,706,000

As the Exhibit above demonstrates, over the term of the most recent levy period, the CZ&BG has had notes payable to commercial banks outstanding. Intended to satisfy intermediate funding requirements, the notes payable bear interest rates based on either the Prime Rate or LIBOR.

Notes payable:

As of March 31, 2012, the CZ&BG had notes payable totaling $4,021,000 with interest rates ranging from 1.99% to 2.25%. As of December 31, 2012, it appears the CZ&BG had reduced the amount of notes payable to $3,300,500 with no significant change in interest rates.

Notes payable are aligned with capital projects such as the Education Center, Cat Canyon, and the Our Zoo, Our Community, Our World project. Proceeds from pledges receivable relating to these projects appear to be aligned to fund the repayment of the currently outstanding notes payable.

Bonds Payable

Over the full term of the most recent levy period, the CZ&BG has also had outstanding bonds payable to the Port Authority and to the City of Cincinnati. The bonds are used to meet the longer-term funding requirements of the CZ&BG.

As of March 31, 2012, the CZ&BG had net bonds payable totaling $7,699,488. Its City of Cincinnati bonds carried interest rates of 5% while interest rates on the Port Authority bonds were variable and fluctuated around the 0.25% mark. As of December 31, 2012, it appears that the CZ&BG had reduced the amount of bonds payable to $7,019,488 with no significant change in interest rates.

In the interest of long-term sustainability, we recommend the CZ&BG consider establishing a board-designated fund within the Foundation to fund the repayment of its outstanding bond obligations. We also suggest the CZ&BG inquire as to whether the City of Cincinnati recreational facility bond, which bears interest at 5% and is due December 31, 2021, might be repaid, without penalty, before its final due date.

Operating Results and Change in Net Assets

We prepared the following Operating Income (Loss) Analysis using both the CZ&BG's audited financial statements as well as internal trial balance data and supporting schedules provided by management. While the following analyses are based on the CZ&BG's audited financial statements are structured, the following modifications in structure were undertaken for analytical and presentational purposes:

- Capital campaign revenue from estates and gifts that were either board-designated or donor-restricted for capital improvements has been presented separately from operating revenues.
- Interest expense and depreciation have been reported separately from operations as these items are capital-related and are funded by capital fundraising.
- Major maintenance items have been presented separately due to the significant volume and critical nature of these expenditures.

Exhibit 24

Operating Income (loss) Analysis	2007	2008	2009	2010	2011
Operating Revenues					
Admissions	$ 5,382,508	$ 4,866,915	$5,461,439	$6,092,515	$6,737,135
Memberships	4,311,742	4,882,607	5,259,924	5,635,001	6,152,791
Attractions	701,208	869,677	1,095,852	1,060,546	951,890
Parking	824,854	747,277	891,050	849,309	940,731
Programs	840,903	1,341,215	1,435,816	1,563,184	1,720,349
Commissions	1,270,018	1,248,348	1,179,130	1,366,106	1,346,133
Rental income	614,513	646,191	529,227	373,002	451,085
Other income	501,018	300,164	304,261	380,252	763,591
Unrestricted Gifts	631,104	485,793	982,319	793,626	1,579,193
Designated Gifts	835,760	920,077	1,235,026	1,306,557	1,318,743
Grants	367,690	232,786	331,602	325,502	445,924
Zoofari fundraiser	631,261	506,105	371,914	513,951	577,855
Sponsorships (Marketing & Events)	399,675	426,250	357,529	361,422	578,000
Tax Levy	6,326,659	6,187,920	7,104,233	7,226,365	6,695,663
	23,638,913	23,661,325	26,539,322	27,847,338	30,259,083
Operating Expenses					
Animal Care and Health	6,794,573	7,098,786	7,416,476	8,045,756	8,533,180
Horticulture	850,441	961,891	994,919	876,207	894,368
Park Operations	2,407,490	2,829,804	3,727,938	3,743,822	3,503,160
Facilities and External Properties	1,687,149	1,910,867	2,042,212	2,356,674	2,301,590
General & Administrative	3,171,052	2,128,820	2,356,127	2,817,345	3,297,991
Events and Group Functions	2,648,296	2,786,351	2,867,317	3,732,231	4,093,327
Education	2,133,915	2,211,697	2,370,898	1,744,014	2,121,914
CREW	972,337	1,157,549	1,248,005	1,170,791	1,271,206
Fundraising	1,047,148	1,432,066	981,327	957,967	924,199
	21,712,401	22,517,831	24,005,219	25,444,807	26,940,935
Operating income before major maintenance	1,926,512	1,143,494	2,534,103	2,402,531	3,318,148
Major Maintenance	308,538	1,033,884	932,105	2,130,583	2,000,587
Operating income (loss)	1,617,974	109,610	1,601,998	271,948	1,317,561
Other income					
Investment income - operations	483,025	33,839	148,847	111,249	59,113
Capital campaign	3,914,432	3,720,933	4,625,143	2,820,342	8,161,161
	4,397,457	3,754,772	4,773,990	2,931,591	8,220,274
Other Expenses					
Interest expense	1,231,391	852,803	769,088	495,810	417,525
Depreciation	3,282,523	3,240,775	3,707,725	4,290,928	4,550,000
	4,513,914	4,093,578	4,476,813	4,786,738	4,967,525
Income (loss) before endowment	1,501,517	(229,196)	1,899,175	(1,583,199)	4,570,310
Endowment Activity					
Endowment estates and gifts	9,238,258	1,034,829	965,185	563,948	1,191,578
Investment income endowment	1,565,780	(4,537,284)	2,891,852	1,527,024	257,194
Change in beneficial interest in trusts	-	(846,296)	557,786	330,874	(282,486)
Endowment expenses	(330,008)	(190,292)	(172,991)	(209,427)	(188,995)
	10,474,030	(4,539,043)	4,241,832	2,212,419	977,291
Change in net assets	$11,975,547	$(4,768,239)	$6,141,007	$ 629,220	$5,547,601

The Exhibit above groups all operating revenues together, including both revenue and expenses related directly to park operations as well as revenue from programs, unrestricted gifts, public support (levy), and other ancillary income. The entire CZ&BG operations subset shows a favorable increase in operating income when measured before major maintenance expenditures.

Our next Exhibit alters the operating statement to show revenues and expenses directly generated and earned by park operations separately. The purpose of this analysis is to reveal trends in the CZ&BG's reliance on the tax levy as well as in its attraction of other nonoperating revenues, such as unrestricted gifts, bequests, and traditional fundraising.

Exhibit 25

Direct Operating Income (loss) Analysis By Department	2007	2008	2009	2010	2011
Direct Operating Revenues					
Admissions (1)	$ 4,981,073	$ 4,369,915	$ 5,461,439	$ 6,092,515	$ 6,737,135
Memberships	4,311,742	4,882,607	5,259,924	5,635,001	6,152,791
Attractions	701,208	869,677	1,095,852	1,060,546	951,890
Parking	824,854	747,277	891,050	849,309	940,731
Commissions	1,270,018	1,248,348	1,179,130	1,366,106	1,346,133
	12,088,895	12,117,824	13,887,395	15,003,477	16,128,680
Direct Operating Expenses					
Animal Care and Health	(6,794,573)	(7,098,786)	(7,416,476)	(8,045,756)	(8,533,180)
Horticulture	(850,441)	(961,891)	(994,919)	(876,207)	(894,368)
Park Operations	(2,407,490)	(2,829,804)	(3,727,938)	(3,743,822)	(3,503,160)
Facilities and External Properties	(1,687,149)	(1,910,867)	(2,042,212)	(2,356,674)	(2,301,590)
Events and Group Functions	(2,648,296)	(2,786,351)	(2,867,317)	(3,732,231)	(4,093,327)
General & Administrative	(3,171,052)	(2,128,820)	(2,356,127)	(2,817,345)	(3,297,991)
	(17,559,001)	(17,716,519)	(19,404,989)	(21,572,035)	(22,623,616)
Operating Loss From Direct Operations Before Levy and Other	**(5,470,106)**	**(5,598,695)**	**(5,517,594)**	**(6,568,558)**	**(6,494,936)**
Rental income	614,513	646,191	529,227	373,002	451,085
Other income	501,018	300,164	304,261	380,252	763,591
Tax Levy	6,326,659	6,187,920	7,104,233	7,226,365	6,695,663
Direct Operating income after Levy and Other	**1,972,084**	**1,535,580**	**2,420,127**	**1,411,061**	**1,415,403**
Program Revenues and Expense					
Programs (1)	1,242,338	1,838,215	1,435,816	1,563,184	1,720,349
Designated Gifts	835,760	920,077	1,235,026	1,306,557	1,318,743
Grants	367,690	232,786	331,602	325,502	445,924
Revenue Sub-total	2,445,788	2,991,078	3,002,444	3,195,243	3,485,016
Education	(2,133,915)	(2,211,697)	(2,370,898)	(1,744,014)	(2,121,914)
CREW	(972,337)	(1,157,549)	(1,248,005)	(1,170,791)	(1,271,206)
Program Revenues and Expense, net	(660,464)	(378,168)	(616,459)	280,438	91,896
Unrestricted Gifts and Fundraising					
Unrestricted Gifts	631,104	485,793	982,319	793,626	1,579,193
Zoofari fundraiser	631,261	506,105	371,914	513,951	577,855
Sponsorships (Marketing & Events)	399,675	426,250	357,529	361,422	578,000
Revenue Sub-total	1,662,040	1,418,148	1,711,762	1,668,999	2,735,048
Fundraising	(1,047,148)	(1,432,066)	(981,327)	(957,967)	(924,199)
Unrestricted Gifts and Fundraising	614,892	(13,918)	730,435	711,032	1,810,849
Operating income before major maintenance	**1,926,512**	**1,143,494**	**2,534,103**	**2,402,531**	**3,318,148**
Major Maintenance	(308,538)	(1,033,884)	(932,105)	(2,130,583)	(2,000,587)
Operating income (loss)	**1,617,974**	**109,610**	**1,601,998**	**271,948**	**1,317,561**
Other income					
Investment income - operations	483,025	33,839	148,847	111,249	59,113
Capital campaign	3,914,432	3,720,933	4,625,143	2,820,342	8,161,161
	4,397,457	3,754,772	4,773,990	2,931,591	8,220,274
Other Expenses					
Interest expense	1,231,391	852,803	769,088	495,810	417,525
Depreciation	3,282,523	3,240,775	3,707,725	4,290,928	4,550,000
	4,513,914	4,093,578	4,476,813	4,786,738	4,967,525
Income (loss) before endowment	1,501,517	(229,196)	1,899,175	(1,583,199)	4,570,310
Endowment Activity					
Endowment estates and gifts	9,238,258	1,034,829	965,185	563,948	1,191,578
Investment income endowment	1,565,780	(4,537,284)	2,891,852	1,527,024	257,194
Change in beneficial interest in trusts	-	(846,296)	557,786	330,874	(282,486)
Endowment expenses	(330,008)	(190,292)	(172,991)	(209,427)	(188,995)
	10,474,030	(4,539,043)	4,241,832	2,212,419	977,291
Change in net assets	$11,975,547	$ (4,768,239)	$ 6,141,007	$ 629,220	$ 5,547,601

(1) after reclass of school revenue not recorded for financial statement presentation.

The analysis above indicates that there has been a $4.0 million increase in annual direct operating revenues (gate admissions, memberships, parking, food service, etc.) measured from 2007 to 2011. Over the same period, the CZ&BG has benefited from increases in program revenues and in designated and unrestricted gifts, resulting in overall positive operating results. However, this finding should not obscure the fact that during this period, annual direct operating expenses have increased by $5.1 million and that annual direct operating losses (before levy support, unrestricted gifts, and fundraising), have increased by $1.0 million per year.

Summary Finding

Measured from 2007 to 2011, annual direct operating losses before levy support, unrestricted gifts, and fundraising have increased by $1.0 million per year. This is a strong indicator that, despite its overall positive operating results, the CZ&BG has become more, not less, reliant on unpredictable private support and on public (levy) support over this period.

The findings on the previous page are reinforced by the analysis, in the chart below, of direct operating income and loss per admission.

Exhibit 26

Direct operating Income (loss) Analysis Per Admission	2007	2008	2009	2010	2011
Gate Attendance	949,658	982,043	1,218,892	1,301,179	1,276,989
Direct Operating Revenues					
Admissions	$ 5.25	$ 4.45	$ 4.48	$ 4.68	$ 5.28
Memberships	4.54	4.97	4.32	4.33	4.82
Attractions	0.74	0.89	0.90	0.82	0.75
Parking	0.87	0.76	0.73	0.65	0.74
Commissions	1.34	1.27	0.97	1.05	1.05
	12.73	12.34	11.39	11.53	12.63
Direct Operating Expenses					
Animal Care and Health	(7.15)	(7.23)	(6.08)	(6.18)	(6.68)
Horticulture	(0.90)	(0.98)	(0.82)	(0.67)	(0.70)
Park Operations	(2.54)	(2.88)	(3.06)	(2.88)	(2.74)
Facilities and External Properties	(1.78)	(1.95)	(1.68)	(1.81)	(1.80)
Events and Group Functions	(2.79)	(2.84)	(2.35)	(2.87)	(3.21)
General & Administrative	(3.34)	(2.17)	(1.93)	(2.17)	(2.58)
	(18.49)	(18.04)	(15.92)	(16.58)	(17.72)
Operating Loss From Direct Operations Before Levy and Other	**(5.76)**	**(5.70)**	**(4.53)**	**(5.05)**	**(5.09)**
Rental income	0.65	0.66	0.43	0.29	0.35
Other income	0.53	0.31	0.25	0.29	0.60
Tax Levy	6.66	6.30	5.83	5.55	5.24
Direct Operating income after Levy and Other	**2.08**	**1.56**	**1.99**	**1.08**	**1.11**
Program Revenues and Expense					
Programs	1.31	1.87	1.18	1.20	1.35
Designated Gifts	0.88	0.94	1.01	1.00	1.03
Grants	0.39	0.24	0.27	0.25	0.35
Revenue Sub-total	2.58	3.05	2.46	2.46	2.73
Education	(2.25)	(2.25)	(1.95)	(1.34)	(1.66)
CREW	(1.02)	(1.18)	(1.02)	(0.90)	(1.00)
Program Revenues and Expense, net	(0.70)	(0.39)	(0.51)	0.22	0.07
Unrestricted Gifts and Fundraising					
Unrestricted Gifts	0.66	0.49	0.81	0.61	1.24
Zoofari fundraiser	0.66	0.52	0.31	0.39	0.45
Sponsorships (Marketing & Events)	0.42	0.43	0.29	0.28	0.45
Revenue Sub-total	1.75	1.44	1.40	1.28	2.14
Fundraising	(1.10)	(1.46)	(0.81)	(0.74)	(0.72)
Unrestricted Gifts and Fundraising	0.65	(0.01)	0.60	0.55	1.42
Operating income before major maintenance	2.03	1.16	2.08	1.85	2.60
Major Maintenance	(0.32)	(1.05)	(0.76)	(1.64)	(1.57)
Operating income (loss)	$ 1.70	$ 0.11	$ 1.31	$ 0.21	$ 1.03

Operating Revenues and Attendance

After experiencing modest growth in 2008, the CZ&BG experienced a 24% increase in attendance in 2009, followed by 7% growth in 2010. After a slight decrease in 2011, the CZ&BG experienced a 13% increase in attendance during 2012.

Exhibit 27

Attendance Analysis

	Calendar years ended				
	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual
Adult	95,535	179,853	169,503	172,276	185,100
Child	32,718	85,047	83,528	77,350	83,402
Senior	7,298	59	0	0	0
Adult - Discounts & Promo	140,438	68,696	63,877	78,050	96,945
Child - Discounts & Promo	64,392	47,983	39,116	46,289	53,651
Senior - Discounts & Promo	7,599	70	0	0	0
Schools	84,474	87,735	85,891	85,192	83,523
Education	14,439	35,867	36,402	28,068	26,502
Complimentary/VIP	52,214	52,774	43,773	52,335	52,357
Group Sales	72,545	108,069	129,689	125,359	133,202
Member Admits	410,391	552,739	649,398	612,070	723,959
Gate Attendance	**982,043**	**1,218,892**	**1,301,177**	**1,276,989**	**1,438,641**
Percentage increase	3.4%	24.1%	6.8%	-1.9%	12.7%

Calendar year 2012 attendance has increased by 457,000 admissions compared to 2008. Memberships, which include unlimited admissions to the CZ&BG, have increased significantly since 2008. (This is why "Member Admits" have gone up by 313,568 over this period.) Regular admissions (including discount admissions) have increased by 71,118 since 2008, while group sales have increased by 60,657.

The following analysis of year to year revenue increases and decreases highlights the changes in the CZ&BG's operating revenue streams over the last five years.

Exhibit 28

Operating Revenue Analysis	2007	2008	2009	2010	2011	Forecasted 12-mo ended 3/31/2013
Operating Revenues						
Admissions	$ 4,981,073	$ 4,369,915	$ 5,461,439	$ 6,092,515	$ 6,737,135	$ 7,653,299
Memberships	4,311,742	4,882,607	5,259,924	5,635,001	6,152,791	6,857,685
Attractions	701,208	869,677	1,095,852	1,060,546	951,890	1,360,328
Parking	824,854	747,277	891,050	849,309	940,731	1,016,832
Commissions	1,270,018	1,248,348	1,179,130	1,366,106	1,346,133	1,660,635
Park Operating Revenue	12,088,895	12,117,824	13,887,395	15,003,477	16,128,680	18,548,779
Percentage increase (decrease)	***2.2%***	***0.2%***	***14.6%***	***8.0%***	***7.5%***	***15.0%***
Programs	1,242,338	1,838,215	1,435,816	1,563,184	1,720,349	1,977,196
	51.3%	***48.0%***	***-21.9%***	***8.9%***	***10.1%***	***14.9%***
Rental income	614,513	646,191	529,227	373,002	451,085	424,563
Other income	501,018	300,164	304,261	380,252	763,591	94,909
Total operating revenues	14,446,764	14,902,394	16,156,699	17,319,915	19,063,705	21,045,447
Percentage increase (decrease)	*4.8%*	*3.2%*	*8.4%*	*7.2%*	*10.1%*	*10.4%*

As our analysis shows, park operating revenue increased steadily from 2008 to March 2013. However, its pace of increase was slower than that of attendance. This is largely due to the increase in memberships, which offer unlimited admissions to the CZ&BG.

The FY 2013 increase in "Attractions" revenue shown in the Exhibit above can be largely attributed to a change in the CZ&BG's revenue-sharing arrangement with Iwerks, the creator and operator of the CZ&BG's "4-D" movie theater. Before 2012, the CZ&BG was subject to a revenue-sharing agreement that resembled a typical commission structure. In 2012, a fixed payment arrangement was reached and the CZ&BG began to record the payment to Iwerks as an independent expense, rather than netting it against revenue as was previously done in the revenue-sharing arrangement. The increase to Other Income in 2011 is largely due to a property tax refund of $316,000 in January 2011. The CZ&BG filed for a tax exemption on a number of properties and, while waiting to see if the exemption would be approved, it continued to pay these property taxes. Once the exemptions were approved, a refund was received and was recorded as "Other Income."

Exhibit 29

Park Operating Revenue Per Admission	2007	2008	2009	2010	2011	Forecasted 12-mo ended 3/31/2013
Gate Attendance	**949,658**	**982,043**	**1,218,892**	**1,301,179**	**1,276,989**	**1,395,717**
Admissions	$ 5.25	$ 4.45	$ 4.48	$ 4.68	$ 5.28	$ 5.48
Memberships	4.54	4.97	4.32	4.33	4.82	4.91
Attractions	0.74	0.89	0.90	0.82	0.75	0.97
Parking	0.87	0.76	0.73	0.65	0.74	0.73
Commissions	1.34	1.27	0.97	1.05	1.05	1.19
Direct operating revenues per admission	15.21	12.34	11.39	11.53	12.63	13.29
Programs	1.31	1.87	1.18	1.20	1.35	1.42
Total operating revenues per admission	$ 16.52	$ 14.21	$ 12.57	$ 12.73	$ 13.98	$ 14.71

After a significant drop in 2009, operating revenue per admission increased at a steady pace from 2009 through 2011 and is forecasted to exceed 2008 operating revenue per admission in the fiscal year ended March 31, 2013.

Summary Finding

While overall operating revenue has increased between 2008 and 2011, revenue per admission has decreased during this period.

Our revenue variance analysis, below, shows meaningful fluctuations in several different types of revenue, although the overall trend for all forms of revenue is positive.

Exhibit 30

Revenue Variance Analysis	2008	2009	2010	2011	Forecasted 12-mo ended 3/31/2013
Admissions					
Revenue increase (decrease)	$ (611,158)	$ 1,091,524	$ 631,076	$ 644,620	$ 916,164
Percentage change	***-12.3%***	***25.0%***	***11.6%***	***10.6%***	***13.6%***
Memberships					
Revenue increase (decrease)	570,865	377,317	375,077	517,790	704,894
Percentage change	***13.2%***	***7.7%***	***7.1%***	***9.2%***	***11.5%***
Attractions					
Revenue increase (decrease)	168,469	226,175	(35,306)	(108,656)	408,438
Percentage change	***24.0%***	***26.0%***	***-3.2%***	***-10.2%***	***42.9%***
Parking					
Revenue increase (decrease)	(77,577)	143,773	(41,741)	91,422	76,101
Percentage change	***-9.4%***	***19.2%***	***-4.7%***	***10.8%***	***8.1%***
Programs					
Revenue increase (decrease)	595,877	(402,399)	127,368	157,165	256,847
Percentage change	***48.0%***	***-21.9%***	***8.9%***	***10.1%***	***14.9%***
Commissions					
Revenue increase (decrease)	(21,670)	(69,218)	186,976	(19,973)	314,502
Percentage change	***-1.7%***	***-5.5%***	***15.9%***	***-1.5%***	***23.4%***
Total					
Revenue increase (decrease)	624,806	1,367,172	1,243,450	1,282,368	2,676,946
Percentage change	***5.2%***	***11.3%***	***9.0%***	***8.5%***	***16.6%***

The spike in attractions revenue in 2013 appears meaningful at first glance but is for the most part a result not of the success of "Attractions" per se but of the aforementioned change in the CZ&BG's revenue-sharing arrangement with the Iwerks "4-D" movie theater.

Overall, the analysis above indicates that since 2008 all categories of revenue have experienced an upward trend.

Analysis of Past and Present Sources of Funding (Gifts, Grants, and Donations)

The following schedule summarizes gifts, grants, and donations for calendar year 2008 through 2012. The category "Capital Campaign" represents donor pledges less allowances for estimated uncollectable pledges and timing discounts.

Exhibit 31

Gifts, Grants & Donations Analysis	2006	2007	2008	2009	2010	2011	2012
Unrestricted Gifts							
Unrestricted Estates and gifts	479,088	553,013	646,058	816,468	699,609	1,584,337	1,148,323
Futures & Memorials	165,032	86,762	84,295	8,093	8,117	9,941	9,147
Charitable Annuities & Pooled Income	319,272	(12,630)	(293,017)	101,152	19,410	(80,081)	28,054
Other	5,517	3,959	48,457	56,605	66,490	64,996	95,591
	968,909	631,104	485,793	982,318	793,626	1,579,193	1,281,115
Capital campaign							
General Capital	2,915,488	63,573	212,749	333,225	38,587	1,693,062	173,062
Unrestricted Estates board designated for Our Zoo Campaign- Africa							
Our Zoo Campaign	13,822,898	3,850,859	3,508,184	4,291,918	2,781,755	6,468,099	7,226,883
	16,738,386	**3,914,432**	**3,720,933**	**4,625,143**	**2,820,342**	**8,161,161**	**7,399,945**
Fundraising							
Zoofari	510,802	631,261	506,105	371,914	513,951	577,855	732,521
Sponsorships (Marketing & Events)	541,183	399,675	426,250	357,529	361,422	578,000	396,050
	1,051,985	**1,030,936**	**932,355**	**729,443**	**875,373**	**1,155,855**	**1,128,571**
Designated Gifts							
Animal Operations	232,259	179,544	186,553	288,084	256,868	295,574	213,567
CREW	318,978	309,984	326,522	404,597	381,358	439,430	431,337
Education	444,886	287,178	283,086	462,973	587,767	488,293	531,690
Graphics	500	0	10,500	7,000	10,000	27,000	10,000
Horticulture	69,020	59,054	113,416	72,372	70,564	68,446	85,407
	1,065,643	835,760	920,077	1,235,026	1,306,557	1,318,743	1,272,001
Grants							
Animal Operations	0	0		15,000	4,995	2,800	
CREW	237,694	280,190	189,036	310,646	320,507	309,110	294,908
Education	118,405	87,500	43,750	4,956	-	134,014	62,356
Horticulture	-	-	-	1,000	-	-	-
	356,099	367,690	232,786	331,602	325,502	445,924	357,264
Total Operating and Capital	**20,181,022**	**6,779,922**	**6,291,944**	**7,903,532**	**6,121,400**	**12,660,876**	**11,438,896**
Endowment	**861,503**	**9,238,258**	**1,034,829**	**965,185**	**563,948**	**1,191,578**	**640,763**
Total Gifts, Grants and Donations	**$21,042,525**	**$16,018,180**	**$ 7,326,773**	**$ 8,868,717**	**$ 6,685,348**	**$13,852,454**	**$12,079,659**

As the table above demonstrates, during 2011 and 2012 the CZ&BG has enjoyed record amounts of unrestricted gifts and capital campaign contributions while maintaining above-average regular fundraising. Designated gifts and revenues from grants have remained steady while gifts to the endowment have been below average.

The Exhibit below illustrates 2008-2012 averages for gifts, grants, and donations. Unrestricted gifts are coming largely from estates and capital campaign funds and appear to be subject to large fluctuations, while fundraising, designated gifts, and grants tend to be steady or increasing.

Exhibit 32

Gifts, Grants & Donations 2008-2012 Totals and Averages

	Total 2008-2012	Average Per Year
Unrestricted Gifts	$ 5,122,045	$ 1,024,409
Capital campaign	$ 26,727,524	$ 5,345,505
Fundraising	$ 4,821,597	$ 964,319
Designated Gifts	$ 6,052,404	$ 1,210,481
Grants	$ 1,693,078	338,616
Endowment	$ 4,396,303	$ 879,261
Total Gifts, Grants and Donations	$ 48,812,951	$ 9,762,590

The data above also makes it clear that gifts, grants, and donations over the last two years have exceeded historical averages.

Alternative Sources of Funding Utilized Before Tax Levy Funds

Our examination of the Tax Levy Contract in place during the years studied revealed the intent, expressed within the Contract, that the Tax Levy be considered a "payor of last resort." It is within this context that the Tax Levy Board's request we analyze "alternative sources of funding" should be understood. The Board asked that we investigate alternatives to tax levy funding in order to determine whether these sources of funding were being utilized before tax levy sources. Within the category of "alternative sources of funding," we include capital campaign funds, regular fundraising (Zoofari and sponsorships), gifts designated for specific uses, unrestricted gifts, and grants.

Regarding unrestricted gifts, the CZ&BG's internal policy states that the disposition of unrestricted estate gifts of greater than $100,000 is determined by the CZ&BG ’s Executive Committee, while bequests of less than $100,000 are placed in the endowment fund. During 2011, $760,975 of estate gifts were used for major maintenance. This amount is part of the "unrestricted gifts" category in the analysis above. During 2012, $1,369,300 of unrestricted estate bequests was used for the “Africa project.” We have included this amount in the "capital campaign" category above because management chose to direct these funds toward this goal.

It is important to note that the CZ&BG's allotment of a portion of unrestricted gifts for major maintenance and capital projects may have increased the sense that levy funds were truly crucial for daily operating functions. In a sense, this goes against the intent of the Tax Levy Contract, which, as noted above, identifies Hamilton County as "the payor of last resort."

Summary Finding

During 2011 and 2012, unrestricted bequests were used to fund major maintenance as well as capital expenditures. It appears these funds could have been utilized for necessary operating expenses or to build the endowment instead. The choice to spend them in this way suggests the Tax Levy Contract's specification that the County's status as "the payor of last resort" for the CZ&BG *could be in question.*

An examination of endowment funding over the recent levy period also yields insights regarding the question of "alternative sources of funding."

Endowment Fund Activity

Exhibit 33

Endowment Fund Summary of Activity

	2008	2009	2010	2011
Endowment net assets at beginning of year	$21,090,159	$14,267,065	$15,228,823	$16,120,739
Interest and dividend income	481,490	384,573	417,476	424,497
Realized and unrealized gain (loss) on investments	(5,254,241)	2,322,240	1,077,559	(164,881)
Contributions	1,612,617	759,619	822,044	1,097,139
Appropriation for expenditure	(3,628,335)	(2,465,688)	(1,385,636)	(1,102,173)
Investment fees	(34,625)	(38,986)	(39,527)	(42,517)
Endowment net assets at end of year	$14,267,065	$15,228,823	$16,120,739	$16,332,804
Appropriation for expenditure as a percentage of average endowment balance	20.5%	16.7%	8.8%	6.8%

The table above indicates that during each of the years studied, appropriations of endowment funds for expenditures have exceeded contributions to the endowment fund. Specific endowment fund activities include the following: During 2007, unrestricted gifts totaling approximately $5.8 million was placed in the endowment fund and then appropriated for expenditure during 2008 and 2009. During 2008, the endowment fund recorded losses totaling $5.2 million related in large part to the 2008 stock market crash. It appears that approximately $3.4 million of the 2008 losses were recovered in 2009 and 2010. The recovery notwithstanding, the pattern of allowing appropriations for expenditures to exceed contributions set up during 2008 and 2009 continued into 2010 and 2011. During 2010, appropriations exceeded contributions by $822,000, while 2011 appropriations exceeded contributions by $5,000. As previously noted, the CZ&BG's internal policy states that the disposition of unrestricted estate gifts of greater than $100,000 is determined by the CZ&BG's Executive Committee. Bequests of less than $100,000 are to be channeled into the endowment fund.

A brief look at the breakout between restricted and unrestricted gifts shows meaningful fluctuations in both categories of gifts during the period under review:

Exhibit 34

Endowment Fund Summary of Restricted vs. Unrestricted Fund Balances

	2007	2008	2009	2010	2011
Unrestricted Funds	$13,040,575	$ 8,167,192	$ 7,996,371	$ 8,189,345	$ 8,000,348
Restricted Funds	8,049,585	6,099,873	7,232,452	7,931,394	8,332,456
Endowment net assets at end of year	$21,090,160	$14,267,065	$15,228,823	$16,120,739	$16,332,804

The fluctuation in restricted funds from 2007 to 2009 was mainly the result of investment value variations. The fluctuation in unrestricted funds, by contrast, stems from both investment value variations and from the practice of appropriating funds for expenditures in excess of contributions.

Investment Income

The following Exhibit summarizes investment income and average returns for 2007 through 2011. The average return is based on year end balances and is for analysis purposes only.

Exhibit 35

Investment Income Analysis

	2008	2009	2010	2011
Operating funds				
Interest and dividends	$ 284,521	$ 131,966	$ 139,876	$ 84,521
Net realized and unrealized gains	(250,682)	16,881	(28,627)	(25,408)
	33,839	148,847	111,249	59,113
Endowment funds				
Interest and dividends	663,894	573,323	419,924	426,944
Net realized and unrealized gains	(5,201,178)	2,318,529	1,107,100	(169,750)
Change in beneficial interest in trusts	(846,296)	557,786	330,874	(282,486)
	(5,383,580)	3,449,638	1,857,898	(25,292)
Combined investment income	(5,349,741)	3,598,485	1,969,147	33,821
Investments - Zoo Society	12,350,694	9,499,546	8,951,711	7,897,194
Investments - Endowment Fund	14,267,065	15,228,823	16,120,739	16,332,804
Investments - year end balances	26,617,759	24,728,369	25,072,450	24,229,998
Beneficial interest in trusts year end balances	2,587,429	3,145,215	3,476,089	3,193,603
Ending Balances Combined	29,205,188	27,873,584	28,548,539	27,423,601
Average combined balance	$32,537,388	$28,539,386	$28,211,062	$27,986,070
Return on average combined balance	-16.5%	12.1%	6.6%	-0.1%

The investment returns above indicate that CZ&BG operating funds are invested very conservatively while Endowment funds appear to be subject to more of the market risks typically associated with long-term investing.

Review of Past CZ&BG Tax Levy Information

A look at tax levy funds received during the 2007 to 2012 period shows some meaningful year over year fluctuation.

Exhibit 36

Tax Levy Funding Analysis

Calendar years	2008	2009	2010	2011	2012	Estimated 2013
Projected Tax levy Funds	$ 6,187,920	$ 7,165,299	$ 7,165,299	$ 7,165,299	$ 7,165,299	$ 7,090,299
Tax Levy Funds Received	$ 6,187,920	$ 7,104,233	$ 7,226,365	$ 6,695,663	$ 6,765,300	$ 6,765,300
Percentage increase (decrease)	*-2.2%*	*12.9%*	*1.7%*	*-7.9%*	*1.0%*	*0.0%*

It should be noted that the CZ&BG is presently projected to receive approximately $1.2 million less, in total, than what was projected at the beginning of the most recent five-year tax levy period.

The downward trend in tax levy revenue per admission, indicated in the table below, is only secondarily related to fluctuations in tax levy funds received. Its primary cause is the positive indicator of increasing admissions.

Exhibit 37

Tax Levy Revenue Per Admission

	2008	2009	2010	2011	2012
Gate Attendance	**982,043**	**1,218,892**	**1,301,179**	**1,276,989**	**1,438,641**
Tax Levy Proceeds per admission	$ 6.30	$ 5.83	$ 5.55	$ 5.24	$ 4.70

As the Exhibit above demonstrates, there is a positive correlation between increases in gate attendance and decreases in tax levy proceeds per admission.

Operating Expenses

Salaries, wages, payroll taxes, and employee benefits make up more than 50% of the CZ&BG's operating expenses and are therefore the first major category of expense reviewed by us. The following schedule groups these costs by department.

Exhibit 38

Salaries and Wages Expense Analysis

	2007	2008	2009	2010	2011
Animal Care and Health	$ 3,443,349	$ 3,322,668	$ 3,594,076	$ 4,056,348	$ 4,290,844
Horticulture	560,813	586,287	626,415	505,162	502,046
Park Operations	1,253,021	1,440,900	1,721,984	1,715,431	1,774,491
Facilities and External Properties	932,182	974,394	1,053,383	1,160,785	945,827
General & Administrative	990,093	994,728	1,015,854	1,082,492	1,469,330
Events and Group Functions	550,379	576,771	606,773	889,067	868,876
Education	1,069,314	1,159,168	1,236,406	874,118	1,002,931
CREW	519,908	620,312	729,066	689,170	745,367
Fundraising	582,531	748,418	604,771	580,388	519,536
Total Salaries and wages	$ 9,901,590	$10,423,646	$11,188,728	$11,552,961	$12,119,248
Percentage increase (decrease)	-11.2%	5.3%	7.3%	3.3%	4.9%
Total Payroll taxes and benefits	$ 3,436,846	$ 2,776,795	$ 3,187,486	$ 3,358,985	$ 3,546,995
Percentage of Salaries and wages	34.7%	26.6%	28.5%	29.1%	29.3%

The significant staffing cuts made in 2007 are indicated by the considerable decrease in total salaries and wages in 2007. During this year, the CZ&BG's pension plan was also discontinued and then replaced by a 401(k) plan, causing a one-time spike in benefits. From 2008 to 2012, however, salaries and wages increased each year; the 7.3% increase during 2009 should be of particular note.

Management has indicated that from 2007 through 2011 the CZ&BG's union contract called for 3% increases. The new contract, which covers 2012 to 2016, features a flat 2.5% increase going forward, down from 3% in years past.

Non-union employees experienced some position adjustments that resulted in significant additional pay for certain individuals. The vast majority of non-union employees, however, received annual increases of 3%.

Exhibit 39

Full Time Employee Count

Department	2006	2007	2008	2009	2010	2011	2012
Animal Operations	3	3	1	1	1	1	1
Mammal	45	44	44	45	43	44	44
Aviculture	9	8	7	8	8	8	8
Insect and Reptile	13	9	9	9	9	9	9
Commissary	5	5	5	5	5	5	5
Interpretive	6	6	6	6	6	8	8
Bird/Cat Show	6	5	6	6	5	6	7
Animal Health	5	5	5	5	4	5	5
Animal Research	4	3	3	2	3	3	2
Plant Research	2	1	2	3	3	3	3
Crew other	1	-	-	-	-	-	-
Research & Projects	1	2	2	4	4	5	4
Crew Admin	1	1	1	1	1	1	1
Education	6	7	7	7	6	6	4
Programs	3	3	2	2	2	2	3
Overnights	1	1	1	1	1	1	1
Graphics	4	4	4	4	3	3	3
Visitor Interpretation	-	-	-	-	2	2	2
School Services	5	4	5	6	4	5	5
Development	3	5	7	7	8	8	8
Membership	3	3	4	4	3	3	3
Development	4	1	-	-	-	-	-
Marketing	4	4	3	3	4	4	4
Community Relations	1	-	-	-	-	-	-
Call Center	2	2	1	1	1	1	-
Admissions	2	2	3	4	4	4	3
Group Sales	6	3	5	5	6	6	6
Maintenance	3	2	2	2	2	2	-
Rides & Attractions	2	1	2	1	1	1	2
Park Services	6	7	6	8	8	9	9
Maintenance	23	21	22	20	24	26	28
Horticulture	11	12	12	12	10	9	9
Security	6	7	5	6	6	6	6
Administration	7	4	6	5	5	5	5
Finance	4	4	3	4	4	4	4
Information Technology	2	3	3	3	4	4	4
Human Resources	2	2	2	2	3	3	3
Administration - other	2	2	2	2	2	2	2
Purchasing	3	3	3	3	3	3	3
Special Events General	2	1	1	1	1	1	1
Zoo Investment Fund	2	1	1	-	-	-	-
	220	201	203	208	209	218	215

The schedule above represents a count of the full-time employees as of the years ended December 31, 2006 through 2012. Part-time and seasonal employees are not included here. Information on such employees was requested but had not been provided at the date of this report. The Exhibit indicates that after a major staffing adjustment in 2007, the number of full-time employees has steadily increased from 2001 in 2007 to 215 in 2012.

Exhibit 40

Salaries and Wages Per Admission	2007	2008	2009	2010	2011
Gate Attendance	**949,658**	**982,043**	**1,218,892**	**1,301,179**	**1,276,989**
Animal Care and Health	$ 3.63	$ 3.38	$ 2.95	$ 3.12	$ 3.36
Horticulture	0.59	0.60	0.51	0.39	0.39
Park Operations	1.32	1.47	1.41	1.32	1.39
Facilities and External Properties	0.98	0.99	0.86	0.89	0.74
General & Administrative	1.04	1.01	0.83	0.83	1.15
Events and Group Functions	0.58	0.59	0.50	0.68	0.68
Education	1.13	1.18	1.01	0.67	0.79
CREW	0.55	0.63	0.60	0.53	0.58
Fundraising	0.61	0.76	0.50	0.45	0.41
Total Salaries and wages	**$ 10.43**	**$ 10.61**	**$ 9.18**	**$ 8.88**	**$ 9.49**
Total Payroll taxes and benefits	**$ 3.62**	**$ 2.83**	**$ 2.62**	**$ 2.58**	**$ 2.78**

Salaries and wages per admission have decreased every year except 2011 with an overall decrease during the period reviewed. The decreases in years 2007 through 2010 were driven primarily by increased admissions while the increase in 2011 can be tied to increased salaries and wages, which were partially offset by increases in attendance.

Summary Finding

Salaries, wages and employee benefits account for more than 50% of the CZ&BG's operating expenses. From 2008 to 2011, these expenses increased by $2.5 million. The increase is due to 3% annual union and non-union raises, merit raises, and the hiring of approximately 15 more full-time employees.

Review of Expenses by Department

The following Exhibits group operating expenses by programs and supporting service areas. The purpose of this analysis is to understand trends and to identify any unusual or nonrecurring items. The expenses in the following exhibits do not include depreciation or interest expense.

Exhibit 41

Animal Care and Health Expense Analysis

	2007	2008	2009	2010	2011
Salaries and wages	$ 3,443,349	$ 3,322,668	$ 3,594,076	$ 4,056,348	$ 4,290,844
Payroll taxes and benefits	891,018	924,563	1,069,385	1,223,689	1,308,632
Animal food	805,828	1,014,140	998,630	929,929	959,590
Operating supplies	278,674	350,087	332,479	469,820	445,734
Education programs	-	-	-	1,228	7,300
Special project costs	-	-	35,600	47,868	35,904
Maintenance and rent	3,980	5,562	5,157	6,132	14,717
Utilities	851,966	948,253	850,278	737,597	760,129
Insurance	490,093	501,159	500,696	512,547	573,672
General expenses	29,665	32,354	30,175	60,598	136,658
	$ 6,794,573	$ 7,098,786	$ 7,416,476	$ 8,045,756	$ 8,533,180
Percentage increase (decrease)	-6.7%	4.5%	4.5%	8.5%	6.1%

Beginning in 2008, the CZ&BG has experienced annual animal care and health expense increases between 4.5% and 8.5%. The largest increase in animal care and health has been in the category of salaries and wage expenses. Utilities expenses, on the other hand, have gone down by almost 11%.

Exhibit 42

Horticulture Expense Analysis

	2007	2008	2009	2010	2011
Salaries and wages	$ 560,813	$ 586,287	$ 626,415	$ 505,162	$ 502,046
Payroll taxes and benefits	138,188	177,421	194,484	180,869	167,235
Operating supplies	85,931	118,852	100,493	109,369	151,875
Maintenance and rent	10,532	19,416	19,678	28,607	22,790
Utilities	31,484	34,267	30,727	26,655	23,794
Insurance	18,111	18,111	18,094	18,522	17,957
General expenses	5,382	7,537	5,028	7,023	8,671
	$ 850,441	$ 961,891	$ 994,919	$ 876,207	$ 894,368
Percentage increase (decrease)	1.1%	13.1%	3.4%	-11.9%	2.1%

As indicated in the Exhibit above, expenses in the Horticulture Department fluctuated moderately during the period studied.

Exhibit 43

Park Operation Expense Analysis

	2007	2008	2009	2010	2011
Salaries and wages	$ 1,253,021	$ 1,440,900	$ 1,721,984	$ 1,715,431	$ 1,774,491
Payroll taxes and benefits	289,118	329,541	418,945	425,605	446,889
Operating supplies	179,683	253,358	371,055	383,367	346,732
Membership Services	306,582	238,792	254,801	227,470	243,350
Maintenance and rent	13,758	27,463	8,707	15,544	8,357
Utilities	153,018	202,118	266,771	231,417	130,016
Insurance	88,024	106,821	157,091	160,809	98,123
General expenses	124,286	230,811	528,584	584,179	455,202
	$ 2,407,490	$ 2,829,804	$ 3,727,938	$ 3,743,822	$ 3,503,160
Percentage increase (decrease)	-18.4%	17.5%	31.7%	0.4%	-6.4%

The table above indicates a considerable increase, in 2009, in Operating Expenses. This is largely due, however, to a reclassification of expenses incurred in the Membership Department.

Expenses from this department were moved to the Operating category for financial reporting purposes. The 2009 increase results mainly from the inclusion of membership-related credit card fees and postage.

Exhibit 44

Facilities and External Properties Expense Analysis

	2007	2008	2009	2010	2011
Salaries and wages	$ 932,182	$ 974,394	$ 1,053,383	$ 1,160,785	$ 945,827
Payroll taxes and benefits	270,368	294,785	334,880	384,168	401,033
Operating supplies	330,392	386,431	348,392	389,135	480,155
Maintenance and rent	130,282	132,654	181,505	307,495	354,465
Utilities	12,351	93,617	95,638	83,205	81,054
Insurance	7,105	22,286	22,265	22,792	22,097
General expenses	4,469	6,700	6,149	9,094	16,959
	1,687,149	1,910,867	2,042,212	2,356,674	2,301,590
Percentage increase (decrease)	-7.1%	13.3%	6.9%	15.4%	-2.3%
Major Maintenance	308,538	1,033,884	932,105	2,130,583	2,000,587
Total	$ 1,995,687	$ 2,944,751	$ 2,974,317	$ 4,487,257	$ 4,302,177
Percentage increase (decrease)	9.9%	47.6%	1.0%	50.9%	-4.1%

As indicated in the Exhibit above, major maintenance is the largest expense in the category of facilities and external properties. Major maintenance is comprised mainly of expenses for improvements and replacements to the CZ&BG's infrastructure. These expenses are addressed in more detail within the capital expenditure section of this report.

The major maintenance category also covers expenses for external properties owned in Clermont and Warren counties. All expenses related to these external properties have additional department codes. The Exhibit below, which was provided by Management, presents a separate accounting of the each external property's direct revenues and expenses.

Exhibit 45

Warren & Clermont County Financials

	Warren County Farm (Bowyer/Bogen)				Clermont County Farm (Mast)	
	2011 Actual		2012 Projected		2011 Actual	2012 Projected
Revenue:						
Farm Rent - Steiner	$ 21,000		$ 13,700		$ -	$ -
Farm Rent - Price	7,905		7,905		-	-
Farm Rent - Green Bean Delivery	-		5,000		-	-
Other Revenue (Grant noted below)	-		13,294		-	-
Total Revenue	28,905		39,899		-	-
Expense:						
Other Operating	2,486		1,900		9,444	6,043
Outside Services:						
Bill Spade Electric	12,826	A	485		5,480	-
Rack Seven Paving	16,666	A	4,000		7,550	-
Mashinot Roofing	16,566	A	-		-	-
Spade Contracting	7,082	A	-		-	-
Larking Plumbing	6,460	A	1,460		-	-
Perdue Electrical	10,267	A	-		-	-
DeGeorge Ceilings	5,929	A	9,558		-	-
HGC	5,322	A	-		-	-
Jim Clark & Sons Excavating	-		24,800	B	-	-
Cornette/Violetta Architects	-		2,078	B	-	-
Other Items Under $5,000	11,731		696		3,486	1,448
Equipment Repair	-		-		383	78
Electric	150		987		5,429	4,655
Gas	1,822		2,227		5,810	8,172
Sewer & Water	192		195		322	375
Property Taxes	43,292	C	49,651	C	-	-
Total Expense	**140,790**		**98,036**		**37,904**	**20,771**
Total	**$(111,885)**		**$ (58,137)**		**$ (37,904)**	**$ (20,771)**

A: CZ&BG received the Bogen estate in 2011 and made some investments into the home that sits on the property. It is being rented out now but in the long run the CZ&BGs goal is to sell the Mast Farm property and move operations out to the Bowyer/Bogen Farm.

B: CZ&BG have returned part of the land at Bogen/Bowyer into a native wetlands via a grant. The money was spent in 2011 and the revenue related to the grant is coming in 2012 and 2013.

C: CZ&BG have filed for CAUV exemption on the Bogen property. The CAUV exemption was reverted when the land changed hands from Mrs. Bogen to the Zoo so the CZ&BG paid two rounds of tax bills (2nd half 2011 and first half 2012) until it was reduced.

It should be noted that expenses related to animal breeding programs conducted at the Mast farm are not included within the analysis above.

The next category of expense to be studied is General and Administrative. The Exhibit below shows that expenses in this category dropped significantly during the economic crisis of 2008 but have since then exceeded 2007 levels. Our examination of the largest subset of these expenses, salaries, uncovered an anomaly in the accounting treatment of this category of expense during the year 2011. In 2011, unlike in previous years, the external auditors of the CZ&BG did not allocate wages for certain individuals in Administration (Director and CEO) to various other departments and programs. Taxes and other items were allocated, but wages were not allocated in line with prior years. The amount of G&A salaries allocated to other categories should have been approximately $325,000 to be consistent with prior years. Additionally, there was a bonus accrual in 2011 for management of approximately $100,000. This can be contrasted with the 2010 bonus accrual of just $20,000, a significant difference.

Exhibit 46

General & Administrative Expense Analysis

	2007	2008	2009	2010	2011
Salaries and wages	$ 990,093	$ 994,728	$ 1,015,854	$ 1,082,492	$ 1,469,330
Payroll taxes and benefits	1,210,276	304,657	324,685	327,007	329,285
Operating supplies	260,733	272,245	319,140	426,521	614,120
Professional services	262,112	199,483	156,043	203,993	172,041
Maintenance and rent	-	-	-	280	943
Utilities	66,742	1,651	60,289	52,300	43,258
Insurance	38,394	28,065	35,502	36,342	32,646
General expenses	342,702	327,991	444,614	688,410	636,368
`					
	$ 3,171,052	$ 2,128,820	$ 2,356,127	$ 2,817,345	$ 3,297,991
Percentage increase (decrease)	18.2%	-32.9%	10.7%	19.6%	17.1%

The table below shows what appears to be a notable increase in Events and Group Functions expense in 2010.

Exhibit 47

Events and Group Functions Expense Analysis

	2007	2008	2009	2010	2011
Salaries and wages	$ 550,379	$ 576,771	$ 606,773	$ 889,067	$ 868,876
Payroll taxes and benefits	126,023	126,802	158,156	238,679	278,125
Operating supplies	638,286	646,076	636,586	583,229	670,678
Advertising	800,336	814,359	800,435	828,203	891,326
Group sales	454,311	488,501	556,122	931,452	1,152,636
Professional services	-	15,867	-	-	1,000
Maintenance and rent	-	-	-	523	1,898
Utilities	35,955	59,327	53,197	94,223	52,257
Insurance	20,683	31,355	31,326	32,067	39,438
General expenses	22,323	27,293	24,722	134,788	137,093
	$ 2,648,296	$ 2,786,351	$ 2,867,317	$ 3,732,231	$ 4,093,327
Percentage increase (decrease)	-24.6%	5.2%	2.9%	30.2%	9.7%

The increase, however, is mainly a result of the reclassification, in that year, of expenses incurred in the Graphics department to the Marketing department. Costs related to the printing of publications and to postage make up the majority of the apparent increase. A secondary factor in the 2010 increase is the decision, in that year, to allocate credit card fees to group sales. Previously, such fees had been included in Admissions expenses.

Exhibit 48

Education Expense Analysis	2007	2008	2009	2010	2011
Salaries and wages	$ 1,069,314	$ 1,159,168	$ 1,236,406	$ 874,118	$ 1,002,931
Payroll taxes and benefits	260,889	278,382	328,881	216,444	258,255
Operating supplies	51,200	67,791	70,536	46,054	45,472
Advertising	-	36,841	-	-	-
Education programs	208,913	261,006	358,821	421,688	523,302
Special project costs	1,620	169	5,841	1,670	19,957
Maintenance and rent	-	-	-	-	466
Utilities	248,081	163,545	146,647	79,137	132,481
Insurance	142,709	86,434	86,355	88,399	99,984
General expenses	151,189	158,361	137,411	16,504	39,066
	$ 2,133,915	$ 2,211,697	$ 2,370,898	$ 1,744,014	$ 2,121,914
Percentage increase (decrease)	-11.3%	3.6%	7.2%	-26.4%	21.7%

As indicated above, expense fluctuations in the education department over the period studied were modest and reasonable.

Exhibit 49

Crew Expense Analysis	2007	2008	2009	2010	2011
Salaries and wages	$ 519,908	$ 620,312	$ 729,066	$ 689,170	$ 745,367
Payroll taxes and benefits	117,813	152,191	180,142	179,425	194,473
Operating supplies	85,253	125,472	127,269	100,579	103,706
Special project costs	81,334	85,949	49,342	44,133	61,196
Maintenance and rent	8,207	14,971	8,329	14,267	5,514
Utilities	73,991	80,533	72,212	62,643	55,918
Insurance	42,563	42,562	42,523	43,530	42,201
General expenses	43,268	35,559	39,122	37,044	62,831
	$ 972,337	$ 1,157,549	$ 1,248,005	$ 1,170,791	$ 1,271,206
Percentage increase (decrease)	-14.6%	19.0%	7.8%	-6.2%	8.6%

CREW expenses have increased modestly over the last five years. Management has indicated that the CREW program is funded by restricted gifts and grants and is constrained by the availability of such funds. Widely renowned for its professionalism and expertise, the CREW program has been successful in obtaining restricted gifts and grants over the years 2007-2011.

Exhibit 50

Fundraising Expense Analysis

	2007	2008	2009	2010	2011
Salaries and wages	$ 582,531	$ 748,418	$ 604,771	$ 580,388	$ 519,536
Payroll taxes and benefits	133,153	188,453	177,928	183,099	163,068
Operating supplies	77,421	140,100	106,281	103,451	108,744
Advertising	-	-	-	-	-
Special project costs	25,000	313	1,488	4,994	616
Professional services	-	39,646	38,000	38,000	44,000
Maintenance and rent	-	-	-	65	791
Utilities	17,121	19,804	17,757	15,404	13,751
Insurance	9,849	10,466	10,457	10,704	10,378
General expenses	202,073	284,866	24,645	21,862	63,315
	$ 1,047,148	$ 1,432,066	$ 981,327	$ 957,967	$ 924,199
Percentage increase (decrease)	-6.8%	36.8%	-31.5%	-2.4%	-3.5%

An analysis of fundraising expenses uncovers a decrease in the year 2009. This change, however, results from the reclassification of membership costs from the Fundraising category to the Park Operations category, as already discussed. The 2011 decrease indicated above is at least partially attributable to the choice, in 2011, to refrain from allocating administrative salaries and wages to this department, a shift in procedure from prior years.

Interest and Depreciation

Over the period studied, long-term financing supplied by commercial banks and through the purchase of bonds has provided funds for a variety of projects and upgrades. In addition to Notes Payable and Bonds Payable, the CZ&BG has a $4.5 million line of credit with a commercial bank. The following Exhibit breaks out interest expense by department. In addition, it reports the average balance of interest-bearing debt and interest as a percentage of average debt.

Exhibit 51

Interest Expense by Operating Category Analysis

	2007	2008	2009	2010	2011
Animal Care and Health	$ 705,944	$ 504,438	$ 425,828	$ 276,284	$ 259,560
Horticulture	26,087	18,229	15,388	9,984	8,125
Park Operations	126,792	107,520	133,601	86,683	44,396
Facilities and External Properties	10,234	22,432	18,936	12,286	9,998
General & Administrative	51,484	28,248	30,194	16,403	8,575
Events and Group Functions	29,793	31,560	26,641	17,286	17,844
Education	205,562	87,000	73,442	47,650	45,238
Crew	61,309	42,841	36,165	23,464	19,094
Fundraising	14,186	10,535	8,893	5,770	4,695
Total interest	1,231,391	852,803	769,088	495,810	417,525
Average balance interest bearing debt	$ 18,133,400	$ 15,386,200	$ 14,999,600	$ 13,349,400	$ 11,757,300
Interest as a percentage of average debt	6.8%	5.5%	5.1%	3.7%	3.6%

This analysis indicates that interest expense has been reduced over the last five years due to both reductions in outstanding debt and declining interest rates.

Depreciation

Capital assets consisting of buildings, indoor and outdoor displays, equipment, furniture and fixtures are generally paid for through capital campaigns, donor gifts, estate bequests, grants and government funding. The following schedule summarizes the depreciation of capital assets by operating category.

Exhibit 52

Depreciation by Operating Category	2007	2008	2009	2010	2011
Animal Care and Health	$ 1,876,017	$ 1,916,937	$ 2,052,887	$ 2,375,794	$ 2,787,204
Horticulture	69,327	69,273	74,186	85,855	87,244
Park Operations	336,944	408,592	644,083	745,393	476,736
Facilities and External Properties	27,196	85,243	91,288	105,648	107,357
General & Administrative	146,967	107,349	145,562	168,459	158,615
Events and Group Functions	79,173	119,932	128,438	148,640	191,611
Education	546,273	330,613	354,060	409,751	485,777
Crew	162,927	162,802	174,348	201,771	205,036
Fundraising	37,699	40,034	42,873	49,617	50,420
	$ 3,282,523	$ 3,240,775	$ 3,707,725	$ 4,290,928	$ 4,550,000
Average Remaining Depreciable Life	14.20	15.39	15.15	13.99	13.33

(Average net book value less land/Depreciation)

The CZ&BG depreciates buildings and displays over 10 to 20 years. Other equipment and furniture are assigned depreciable lives of three to ten years. The CZ&BG's estimated lives appear conservative.

Five-year Revenue and Expenditure Projection for the Upcoming Levy Period

This section includes a management-prepared, five-year revenue and expense projection calculated according to two different scenarios. The "Scenario 1" projection is based on the assumption that 2012 rates of attendance will be maintained over the next five-year period. The "Scenario 2" projection makes the more conservative assumption that attendance over the next five years will drop from 1.4 million per year to 1.2 million.

Exhibit 53

CZ&BG PREPARED FOR DISCUSSION PURPOSES ONLY WITHIN CONTEXT OF TLRC CONSULTANTS PERFORMANCE REVIEW - SUBJECT TO CHANGE

Scenario 1 - Maintain 1.4 million Attendance
Five Year Projected operating income and cash flows

	12-months ended 12/31/2011	CZ&BG Forecasted 12-months ended 3/31/2013	PROJECTED FISCAL YEAR END RESULTS BASED MAJOR ASSUMPTION THAT THE CZ&BG WILL MAINTAIN CURRENT ATTENDENCE				
			3/31/2014	3/31/2015	3/31/2016	3/31/2017	3/31/2018
Admissions	**1,276,989**	**1,395,717**	**1,400,000**	**1,400,000**	**1,400,000**	**1,400,000**	**1,400,000**
Operating Revenues							
Admissions	$6,737,135	$7,563,299	$7,565,000	$7,697,000 A	$7,697,000	$7,972,000 B	$8,104,000 A
Memberships	6,152,791	6,857,685	6,850,000	6,989,000 G	7,077,000 H	7,216,000 G	7,304,000 H
Attractions	951,890	1,360,328	1,429,850	1,472,746	1,516,928	1,562,436	1,609,309
Parking	940,731	1,016,832	1,016,832	1,016,832	1,123,832 C	1,123,832	1,123,832
Programs	1,720,349	1,977,196	1,970,000	2,029,100	2,089,973	2,152,672	2,217,252
Commissions (food & gift shop)	1,346,133	1,660,635	1,665,731	1,715,703	1,767,174	1,820,189	1,874,795
Rental income	451,085	424,563	394,260	155,000 E	80,000	80,000	80,000
Other income	763,591	94,909	24,000	24,000	24,000	24,000	24,000
Unrestricted Gifts	1,579,193	1,245,313	913,500	940,905	969,132	998,206	1,028,152
Designated Gifts	1,318,743	825,771	863,982	889,901	916,599	944,096	972,419
Grants	445,924	557,943	220,870	250,000	250,000	250,000	250,000
Sponsorships (marketing & events)	1,155,855	1,320,953	1,350,700	1,391,221	1,432,958	1,475,946	1,520,225
Tax Levy	6,695,663	6,765,300	6,565,300 D	6,430,155	6,462,742	6,496,599	6,530,457
Net Assets Released from Restriction	-	146,570	381,410	-	-	-	-
	30,259,083	31,817,297	31,211,435	31,001,563	31,407,337	32,115,977	32,638,441
Operating Expenses	26,940,935	28,786,924	29,200,847	30,169,212	31,174,909	32,219,836	33,306,011 F
Operating income before major maintenance	3,318,148	3,030,373	2,010,588	832,350	232,428	(103,859)	(667,570)
Major Maintenance	2,000,587	1,620,833	709,963		-	-	-
Operating income (loss)	1,317,561	1,409,540	1,300,625	832,350	232,428	(103,859)	(667,570)
Adjustments							
Investment income - operations	59,113	-	-	-	-	-	-
Debt Service	(2,037,604)	(1,512,033)	(1,450,781)	(1,033,356)	(1,016,768)	(945,508)	(858,436)
Unfunded capital expenditures		(146,713)	(175,000)	(175,000)	(175,000)	(175,000)	(175,000)
Endowment transfers to operations	1,102,173	764,568	825,156	825,000	825,000	825,000	825,000
Impact on Cash Position	$ 441,243	$ 515,362	$ 500,000	$ 448,994	$ (134,340)	$ (399,367)	$ (876,006)

A - $1 price increase on child/senior admission
B - $1 price increase on adult admission
C - $1 increase on parking
D - Estimate confirmed with Hamilton County
E - Parking lease with VA ends on 12/31/2014
F - Includes 3% increase on all but utilities which are projected to grow a blended 9% annually
G - $5 price increase on Gold memberships
H - $5 increase on all memberships except Gold

It should be noted that the forecasted results for the fiscal year ended March 31, 2013 were prepared after the internal close of that period but before the CZ&BG's fiscal year-end audit. The forecast appears reasonable and is not expected by Management to vary significantly from actual March 31, 2013 audited results.

The "Scenario 1" projection highlights a serious issue: even with sustained attendance rates, estimated increases in revenue are not projected to keep up with inflation. Further, "Scenario 1" makes it clear that the CZ&BG is likely to continue to rely on the tax levy and on unrestricted gifts. Regarding unrestricted gifts, we would like note that the Exhibit above projects a reduction in such gifts to $914,000 in 2014. This amount is below recent historical averages, but we feel it is a reasonable estimate, given that recent unrestricted gifts have been larger than in the period before 2007. The following Exhibit highlights the projected percentage changes in revenues and operating expenses under the assumption that admissions will remain at 2012 levels.

Exhibit 54

Scenario 1 - Maintain 1.4 million Attendance
Five Year Projected Percentage Changes in Revenues and Expenses

	Projected Percentage Changes				
	3/31/2014	3/31/2015	3/31/2016	3/31/2017	3/31/2018
Admissions	**1,400,000**	**1,400,000**	**1,400,000**	**1,400,000**	**1,400,000**
Operating Revenues					
Admissions	0.0%	1.7%	0.0%	3.6%	1.7%
Memberships	-0.1%	2.0%	1.3%	2.0%	1.2%
Attractions	5.1%	3.0%	3.0%	3.0%	3.0%
Parking	0.0%	0.0%	10.5%	0.0%	0.0%
Programs	-0.4%	3.0%	3.0%	3.0%	3.0%
Commissions (food & gift shop)	0.3%	3.0%	3.0%	3.0%	3.0%
Rental income	-7.1%	-60.7%	-48.4%	0.0%	0.0%
Other income	-74.7%	0.0%	0.0%	0.0%	0.0%
Unrestricted Gifts	-26.6%	3.0%	3.0%	3.0%	3.0%
Designated Gifts	4.6%	3.0%	3.0%	3.0%	3.0%
Grants	-60.4%	13.2%	0.0%	0.0%	0.0%
Sponsorships (marketing & events)	2.3%	3.0%	3.0%	3.0%	3.0%
Tax Levy	-3.0%	-2.1%	0.5%	0.5%	0.5%
	-1.9%	-0.7%	1.3%	2.3%	1.6%
Operating Expenses	1.4%	3.3%	3.3%	3.4%	3.4%
Operating income before major maintenance	-33.7%	-58.6%	-72.1%	-144.7%	542.8%
Major Maintenance	-56.2%	-100.0%			
Operating income (loss)	-7.7%	-36.0%	-72.1%	-144.7%	542.8%

The severe drop in rental income shown in the table above results from the expectation that as of 2015, the CZ&BG will no longer earn rental income from its leasing of a portion of a parking lot to an outside government agency. We would also like to note that the projected increases in operating expenses shown above may be conservative given that union wage increases are contractually set at 2.5% over the next five years. On the other hand, total operating expenses may potentially be understated, because of these unanticipated outlays related to the 2013 opening of Phase 3 and the potential future completion of Phases 4 and 5 of the “Africa” project.

Summary Finding

The main finding is that even given the optimistic assumption of sustained attendance, projected increases in admissions and membership revenues are not expected to keep pace with inflation. Further, it should be noted that given the projected reduction in operating income and the reduction in unrestricted gifts, funding for major maintenance is reduced to zero by year two of the projection.

Exhibit 55

PRELIMINARY FOR DISCUSSION PURPOSES ONLY WITHIN CONTEXT OF TLRC CONSULTANTS PERFORMANCE REVIEW

Scenario 2 - Maintain 1.2 million Attendance

Five Year Projected operating income and cash flows	12-months ended 12/31/2011	**CZ&BG Forecasted** 12-months ended 3/31/2013	**PROJECTED FISCAL YEAR END RESULTS BASED MAJOR ASSUMPTION THAT THE CZ&BG ATTENDENCE WILL DECREASE TO PRE 2011 LEVELS**				
			Budget 3/31/2014	3/31/2015	3/31/2016	3/31/2017	3/31/2018
Admissions	**1,276,989**	**1,395,717**	**1,200,000**	**1,200,000**	**1,200,000**	**1,200,000**	**1,200,000**
Operating Revenues							
Admissions	$6,737,135	$7,563,299	$7,153,208	$7,275,208 A	$ 7,275,208	$ 7,516,208 B	$ 7,638,208 A
Memberships	6,152,791	6,857,685	6,789,690	6,928,690 G	7,016,690 H	7,155,690 G	7,243,690 H
Attractions	951,890	1,360,328	1,429,850	1,472,746	1,516,928	1,562,436	1,609,309
Parking	940,731	1,016,832	861,600	861,600	968,600 C	968,600	968,600
Programs	1,720,349	1,977,196	1,708,872	1,760,138	1,812,942	1,867,331	1,923,350
Commissions (food & gift shop)	1,346,133	1,660,635	1,644,230	1,693,557	1,744,364	1,796,695	1,850,595
Rental income	451,085	424,563	394,260	155,000 E	80,000	80,000	80,000
Other income	763,591	94,909	24,000	24,000	24,000	24,000	24,000
Unrestricted Gifts	1,579,193	1,245,313	913,500	940,905	969,132	998,206	1,028,152
Designated Gifts	1,318,743	825,771	863,982	889,901	916,599	944,096	972,419
Grants	445,924	557,943	220,870	250,000	250,000	250,000	250,000
Sponsorships (marketing & events)	1,155,855	1,320,953	1,350,700	1,391,221	1,432,958	1,475,946	1,520,225
Tax Levy	6,695,663	6,765,300	6,565,300 D	6,430,155	6,462,742	6,496,599	6,530,457
Net Assets Released from Restriction	-	146,570	381,410	-	-	-	-
	30,259,083	31,817,297	30,301,472	30,073,121	30,470,162	31,135,807	31,639,006
Operating Expenses	26,940,935	28,786,924	29,200,847	30,169,212	31,174,909	32,219,836	33,306,011 F
Operating income before major maintenance	3,318,148	3,030,373	1,100,625	(96,091)	(704,747)	(1,084,029)	(1,667,005)
Major Maintenance	2,000,587	1,620,833	-	-	-	-	-
Operating income (loss)	1,317,561	1,409,540	1,100,625	(96,091)	(704,747)	(1,084,029)	(1,667,005)
Adjustments							
Investment income - operations	59,113	-	-	-	-	-	-
Debt Service	(2,037,604)	(1,512,033)	(1,450,781)	(1,033,356)	(1,016,768)	(945,508)	(858,436)
Unfunded capital expenditures		(146,713)	(175,000)	(175,000)	(175,000)	(175,000)	(175,000)
Endowment transfers to operations	1,102,173	764,568	825,156	825,000	825,000	825,000	825,000
Impact on Cash Position	$ 441,243	$ 515,362	$ 300,000	$ (479,447)	$(1,071,515)	$(1,379,537)	$(1,875,441)

A - $1 price increase on child/senior admission
B - $1 price increase on adult admission
C - $1 increase on parking
D - Estimate confirmed with Hamilton County
E - Parking lease with VA permanently ends on 12/31/2014
F - Includes 3% increase on all but utilities which are projected to grow a blended 9% annually
G - $5 price increase on Gold memberships
H - $5 increase on all memberships except Gold

The projection above represents "Scenario 2," under which admissions fall back to pre-2011 levels of 1.2 million. While not expected, the Scenario is also not an unreasonable one. Although the CZ&BG enjoys considerable positive momentum currently, it is not unusual for a CZ&BG's attendance rates to go through positive and negative cycles as interest in new exhibits wanes and public interests change.

Summary Finding

Preliminary projections indicate that if attendance drops back to 1.2 million people, the CZ&BG would begin to experience negative cash flows in 2015, largely due to the fixed nature of many expenses.

IX. Possible Threats to the CZ&BG during the Next Tax Levy Period

Our concerns regarding the sustainability of the CZ&BG over the long term relate mainly to the risks posed by growing operating costs in excess of revenues, unfunded major maintenance, possible decreases in gifts and in attendance rates, and potentially insufficient planning by the CZ&BG's Executive Management Team to account for these and other risks in their planning process.

The issue of major maintenance costs is a concern for two main reasons: first, the current expansion of the CZ&BG, underway since 2008, is likely to result in higher major maintenance costs in the future than management may currently anticipate. Funding to meet these needs has not been set aside and therefore may not be in place when needed. Second, the process by which funds have been appropriated for major maintenance in the past has generally been to move funds into this category only when funds become available through unrestricted gifts and operating surpluses. According to our analysis, it appears funds are deployed for major maintenance only after immediate needs have been met. This "linkage" between operating surpluses and major maintenance poses the risk that, should operating revenue go negative, infrastructure will be neglected.

The trend toward increases in Federal, State, Municipal, AZA and AAM regulations poses a risk that is also worth mentioning. Expansion of the regulatory strictures with which the CZ&BG must comply will likely continue. Conformity to such regulations will potentially entail increases in the CZ&BG’s operating expenditures.

Regarding the risk of possible decreases in gifts, we would like to note that the past several years have seen an unprecedented increase in unrestricted gifts but have not seen a corresponding increase in the size of the endowment. Should the CZ&BG continue to enjoy high rates of gifting from its patrons, the risk posed by fluctuations in this funding source could be mitigated by the strict channeling of unrestricted gifts into the endowment.

On the issue of attendance rates, we are concerned that the CZ&BG may be reaching an attendance saturation point due to a combination of factors, including the necessarily limited size of the market and the physical size of the grounds. The CZ&BG leadership should not expect that the tremendous growth in attendance experienced in the years 2008 to 2012 will continue. There is every possibility that attendance could go flat, or even decline, in the years ahead. Further, the reduction in revenues resulting from such an eventuality would likely exceed any corresponding decreases in expense, due to the CZ&BG's large infrastructure.

The potential population shifts that could result in decreased attendance could also affect the availability of tax levy funds in the future. During the years studied, the CZ&BG was highly reliant on the Hamilton County Tax Levy. Drops in Hamilton County population and/or additional decreases in property values could occur, impairing the CZ&BG's access to reliable public funding in the form of the levy.

We identified the following risks associated with the CZ&BG Solar Power Purchase Agreement

Overall Risks:

- Fluctuations in the cost of electricity
- Fluctuations in the amount of electricity required to be purchased
- Fluctuations in the cost of money (interest rate risk)
- Future advances in technology

First Purchase Option – 2018 (a possible and reasonable outcome):

- See Overall Risks
- No apparent plan for prefunding the $2.4 million purchase price in order to eliminate or mitigate interest rate risk
- No apparent plan for the recording of the contingent liability for the discounted present value of the purchase cost

Second Purchase Option – 2021 (a possible outcome):

- See Overall Risks
- No apparent plan for prefunding the $2.1 million purchase price in order to eliminate or mitigate interest rate risk
- No apparent plan for the recording of the contingent liability for the discounted present value of the purchase cost
- No apparent plan for the recording of the discounted present value of the increased contractual rate paid for electricity during the term between the First and Second Purchase Options

Maintaining the Solar Agreement through its Contractual Term – 2036 or beyond with extensions (a possible and reasonable outcome):

- Fluctuations in the cost of electricity
- Fluctuations in the amount of electricity required to be purchased
- No apparent plan for the recording of the discounted present value of the increased contractual rate paid for electricity during the term between the First and Second Purchase Options
- Parking lot disruptions and customer service issues could be experienced during the future removal of the Solar Array

The potential population shifts that could result in decreased attendance could also affect the availability of tax levy funds in the future. During the years studied, the CZ&BG was highly reliant on the Hamilton County Tax Levy. Drops in Hamilton County population and/or decreases in property tax collections could occur, impairing the CZ&BG's access to reliable public funding in the form of the levy.

X. Summary Findings

Our Summary Findings, listed below, group in one place each of the separate conclusions our Performance Review presents. Organized according to the section of the document from which they originate, these Findings should be read as references to the different sections to which they apply. (Because the Summary Findings pertaining to **VIII. Financial Analysis** are numerous, we have grouped them within the categories of "Historical Trends" and "Projections over the Next Levy Term.)

Summary Findings pertaining to **IV. Corporate Structure**:

- *One of the Foundation Board's primary missions is to provide the Society with financial support in the form of increased endowment funds. However, to effectively succeed at this mission the Foundation Board would need a voice in determining the direction of incoming unrestricted funds and the timing of their disbursement.*

Summary Findings pertaining to **V. Organizational Structure**:

- *The CZ&BG is performing well with respect to the corporate governance goals of an appropriate organizational structure, an efficient committee structure, and a high level of both accountability and transparency.*

Summary Findings pertaining to **VI. Operations Analysis**:

- *Overall, the CZ&BG appears to have a safe, sophisticated, fine-tuned and secure process for the handling of its cash receipts and negotiable instruments.*

  There are four potential outcomes for the CZ&BG under the Solar Agreement:
- *It can purchase the Solar Array in 2018 for $2.4 Million (First Purchase Option). This option appears to be a reasonable and possible outcome.*

- *It can purchase the Solar Array in 2021 for $2.1 million (Second Purchase Option), however, the CZ&BG would have to pay a substantial mark-up on the purchase price of electricity between the First and Second Purchase Option dates. This option appears to be a possible outcome.*

- *The CZ&BG can maintain the Solar Agreement through the Contractual Term – 2036 or beyond, with extensions. Under this scenario, however, the CZ&BG would still have to pay a substantial mark-up on the purchase price of electricity between the First and Second Purchase Option dates. This option appears to be a reasonable and possible outcome.*

- *Early Termination of the Solar Agreement. The likelihood of this option appears to be remote.*

Summary Finding pertaining to **VII. Benchmarking Analysis**:

- *The positive upward trend toward closing the cumulative gap between operating revenues per admission and the Consumer Price Index should be managed by CZ&BG leadership. If the gap is closed or reversed, the CZ&BG will theoretically become less dependent on* CZ&BG's *Tax Levy Funds.*

- *There appears to be a very strong correlation between the CZ&BG's increase in total admissions over the period reviewed and its decrease in net direct operating loss per admission. This correlation would suggest that the CZ&BG is dependent on increased total admissions in order to maintain its sustainability position.*

- *The Board of Trustees and the CEO of the CZ&BG appear to be effectively managing the total compensation of executive management personnel on a competitive basis that is conducive to sustainability and management continuity.*

Summary Findings pertaining to **VIII. Financial Analysis**:

Historical Trends

- *The CZ&BG is experiencing a downward trend in unrestricted working capital. This should be of concern to CZ&BG management as it could, if unchecked, ultimately impair the CZ&BG's sustainability over the long term should attendance rates drop and/or other funding sources decline.*

- *The overall long-term financial strength of the CZ&BG appears to have improved between 2009 and 2011. During this period, net assets, with capital-related items excluded, increased by $2.8 million, an indication that the recent trend in overall long-term financial health is a favorable one.*

- *Measured from 2007 to 2011, annual direct operating losses before levy support, unrestricted gifts and fundraising have increased by $1.0 million per year. This is a strong indicator that, despite its overall positive operating results, the CZ&BG has become more, not less, reliant on unpredictable private support and on public (levy) support over this period.*

- *While overall operating revenue has increased between 2008 and 2011, revenue per admission has decreased during this period.*

- *Salaries, wages and employee benefits account for more than 50% of the CZ&BG's operating expenses. From 2008 to 2011, these expenses increased by $2.5 million. The increase is due to 3% annual union and non-union raises, merit raises, and the hiring of approximately 15 more full-time employees.*

- *The CZ&BG has an aging and vulnerable infrastructure. Funding requirements for future major maintenance projects, upgrades and refurbishments are expected to continue to increase. This puts pressure on the CZ&BG to find a consistent source of funds for these large and costly repairs.*

- *During 2011 and 2012, unrestricted bequests to the CZ&BG were used to fund major maintenance as well as capital expenditures. It appears that these funds could have been utilized for necessary operating expenses or to build the endowment instead. The choice to spend them in this way suggests that the Tax Levy Contract's specification that the County's status as "the payor of last resort" for the zoo could be in question.*

- *It appears that the CZ&BG may not be consistently adhering to its "Property and equipment" accounting policy as disclosed in its U.S. GAAP basis audited financial statements. Capital expenditures that may have been erroneously recorded as operational expenses include: Train tracks totaling $650,000, the Elephant Pool Filtration System totaling $155,000 and the Galapagos tortoise project totaling $200,000. The impact of expensing such items, rather than capitalizing them, is to overstate expense in the year of the disbursement and to understate expense during subsequent years when the equipment or improvements would have been depreciated over their useful lives.*

Projections over the Next Levy Term

- *The main finding is that even given the optimistic assumption of sustained attendance, projected increases in admissions and membership revenues are not expected to keep pace with inflation. Further, it should be noted that given the projected reduction in operating income and the reduction in unrestricted gifts, funding for major maintenance is reduced to zero by year two of the projection.*

- *Projections indicate that if attendance drops to $1.2 million visitors per year, the CZ&BG would begin to experience negative cash flows in 2015, largely due to the fixed nature of many expenses.*

- *Over the period studied, increases in direct operating revenues have lagged behind increases in direct operating expenses. Should this trend continue, the CZ&B's dependency on the Tax Levy could increase.*

- *If the CZ&BG experiences a significant drop in total admissions over the next several years, budgetary pressure on the CZ&BG would increase as would its reliance on the Tax Levy to fund both daily operating expenses and major maintenance.*

- *Even under the optimistic assumption of sustained attendance levels, projected increases in admissions and membership revenues are not expected to keep pace with inflation.*

XI. Recommendations

Our recommendations are oriented toward the goal of long-term financial sustainability for the CZ&BG. With that end in mind, we first suggest that the Tax Levy Board examine two key provisions of its current contract with Hamilton County. First, we believe that the percentage the CZ&BG is currently required to dedicate to the payment of "qualified area expenditures" is too low and should be raised from 20% to 30%. The increased coverage rate should be applied based upon an average over the term of the levy. This will provide the CZ&BG with some flexibility to manage the actual amount of coverage should fluctuations occur in the CZ&BG's financial position from year-to-year. This change would not have immediate consequences to the CZ&BG, as records show that its 2012 rate of internal coverage of qualified area expenditures was 35.6%. Nor is it out of keeping with longer term patterns: the CZ&BG averaged 30.9% internal coverage of qualified area expenditures from 2008 through 2012. The change in required coverage could, however, impact the CZ&BG in the event that qualified area expenditures continue to grow faster than do operating revenues and private support. The purpose of this recommendation is not to limit current funding of the CZ&BG, but instead to place limits on the percentage of future increases in expenditures to be paid for by the levy.

The second provision of the levy contract deserving of review is the stipulation, within the current contract, that Hamilton County be treated as "the payor of last resort." Although these words seem clear enough, the contract does not offer detailed guidance on how to comply with this stipulation. Out of respect for the intent of this statement, and in the interest of the long-term stability of the CZ&BG, we recommend that the future contract with Hamilton County include the requirement that the CZ&BG board designate a minimum of 30% of unrestricted funds from future estates and gifts as a funding source for major maintenance projects or future qualified area expenditures. Including this provision would, it is hoped, enhance the public/private partnership between Hamilton County and the CZ&BG.

Our third recommendation relates to the CZ&BG's accounting practices. It appears that the CZ&BG may not be adhering to its property and equipment accounting policy as disclosed in its audited financial statements (prepared in accordance with U.S. GAAP). According to the policy, "expenditures for equipment, buildings and improvements made from the funds of the CZ&BG are capitalized at cost." During our review we noted numerous disbursements of CZ&BG funds made for items recorded as major maintenance expenses which, it appears, should have been capitalized under the CZ&BG's "property and equipment" accounting policy. While the expensing of these items did not impact the CZ&BGs compliance with its contract with Hamilton County we recommend the CZ&BG's future contract with Hamilton County stipulate that "costs incurred that extend the original useful life or increase an asset's future service potential should be capitalized." The goal of this recommendation is to improve the transparency and consistency of the financial reporting being provided by the CZ&BG to the readers of its financial statements.

We recommend that management review its capitalization policy and consider how this policy is being applied, especially as this relates to financial statement presentation and classification of major maintenance expenditures.

As the current expansion of the CZ&BG comes to a conclusion, we believe a plan for the funding of future major maintenance should be put into place and should take precedence over future expansion. The retirement of debt, too, should be a continued focus for the Board and a priority in the planning process.

We recommend that steps be taken to provide for a more independently functioning Foundation. For example, Board designated funds should be established within the Foundation to fund future major maintenance projects and to fund the potential purchase of the Solar Array in the event the CZ&BG decides to pursue that direction.

We identified five material contracts that, in the interest of transparency and compliance with US GAAP should be disclosed in the CZ&BG financial statements. The contracts identified that should be disclosed are the tax levy agreement with Hamilton County; the contract with AFSCME/AFL-CIO Ohio Council 8 (Union contract); the concessionaire agreement with Service Systems Associates, Inc.; the contract with Iwerks Entertainment Inc. to provide and maintain the CZ&BG's "4D" cinema attraction; and the solar power purchase agreement with CZ Solar, LLC.

We recommend that the CZ&BG carefully quantify its options under the Solar Agreement to determine the likely estimate of the financial outcome based on future risks and its ability to fund a $2.4 million capital addition in 2018. In addition, the CZ&BG should consider recording and/or disclosing, in its financial statements, the net discounted present value of any liabilities that may arise from the most likely outcome. For example, if the CZ&BG decides that it should exercise its initial purchase option, then it should consider recording the discounted present value of the $ 2.4 million purchase cost and any other related purchase and/or financing costs.

Further, if the CZ&BG is giving serious consideration to exercising its option to purchase the solar panel array, it should consider establishing a board-designated fund within its Foundation to accumulate, over time, the capital necessary to pay for the purchase.

We recommend that management develop a strategic initiative in response to our findings that both historical and projected direct operating expenses are increasing faster than both historical and projected direct operating revenues. While we commend management for positive trends in operating revenues and reductions in utility expenses, we recommend that a strategic initiative be put in place to reduce and further control direct operating expenses, including payroll, and to bring future increases in direct operating expenses in line with future growth in direct operating revenues.

XII. Appendices

Appendix A
A Summary of Audited Financial Statements

The CZ&BG is audited annually by the certified public accounting firm Clark, Schaefer, Hackett. The following financial statement data is summarized from the CZ&BG's audited financial statements.

ZOOLOGICAL SOCIETY OF CINCINNATI AND CINCINNATI ZOO FOUNDATION, INC.
Combined Financial Statements
Year Ended December 31, 2007-2011

Balance Sheet

	2006	2007	2008	2009	2010	2011
Assets:						
Cash and cash equivalents	$ 1,350,605	$ 1,528,236	$ 809,758	$ 1,438,362	$ 1,082,314	$ 1,449,272
Trade and other receivables	866,511	1,062,238	1,140,264	724,770	929,613	1,141,112
Pledges receivable, net	10,916,389	8,649,758	6,292,219	4,783,672	3,466,995	7,209,199
Prepaid expenses and supplies	504,068	100,300	103,186	63,123	166,079	286,963
Investments	28,742,315	32,435,863	26,617,759	24,728,369	25,072,450	24,229,998
Beneficial interest in trusts	-	3,433,725	2,587,429	3,145,215	3,476,089	3,193,603
Bond indenture deposits held by trustee	1,688,526	1,777,398	1,850,433	1,902,885	1,966,489	2,006,391
Bond issuance costs	55,118	51,930	48,742	45,554	42,366	39,178
Property and equipment, net	56,996,629	58,742,831	63,957,043	71,701,060	72,096,884	74,267,489
Total Assets	101,120,161	107,782,279	103,406,833	108,533,010	108,299,279	113,823,205
Liabilities and net assets:						
Liabilities:						
Accounts payable	1,324,410	1,480,238	2,048,576	1,750,130	2,969,431	3,265,439
Line of credit	5,500,000	1,200,000	2,600,000	-	-	800,000
Accrued expenses	2,166,920	2,362,371	1,828,978	2,163,999	2,425,883	3,063,355
Notes payable	3,524,996	3,166,538	2,771,573	5,150,999	3,601,143	2,798,500
Bonds payable	11,620,335	10,772,616	10,014,958	9,252,299	8,479,641	7,701,992
Capital lease obligations	318,166	164,224	82,553	126,762	87,915	45,479
Pooled income liability	25,000	79,552	81,913	78,972	76,404	73,770
Gift annuity obligations	301,367	312,571	327,877	316,152	317,116	306,657
Agent liabilities	199,479	129,134	303,609	205,894	224,723	103,389
Total Liabilities	24,980,673	19,667,244	20,060,037	19,045,207	18,182,256	18,158,581
Net assets:						
Unrestricted	52,505,985	64,440,619	63,995,511	74,723,484	75,878,879	78,818,483
Temporarily restricted	17,186,005	17,181,406	16,910,166	12,285,684	11,591,664	14,105,920
Permanently restricted	6,447,498	6,493,010	2,441,119	2,478,635	2,646,480	2,740,221
Total Net Assets	76,139,488	88,115,035	83,346,796	89,487,803	90,117,023	95,664,624
Total Liabilities and Net Assets	101,120,161	107,782,279	103,406,833	108,533,010	108,299,279	113,823,205

Appendix A, continued:
A Summary of Audited Financial Statements

ZOOLOGICAL SOCIETY OF CINCINNATI AND CINCINNATI ZOO FOUNDATION, INC.
Combined Financial Statements
Year Ended December 31, 2007-2011

Income Statement

	2007	2008	2009	2010	2011
Unrestricted Revenues:					
Admissions	$ 5,382,508	$ 4,866,915	$ 5,461,439	$ 6,092,515	$ 6,737,135
Memberships	4,311,742	4,882,607	5,259,924	5,635,001	6,152,791
Attractions	701,208	869,677	1,095,852	1,060,546	951,890
Parking	824,854	747,277	891,050	849,309	940,731
Programs	840,903	1,341,215	1,435,816	1,563,184	1,720,349
Commissions	1,270,018	1,248,348	1,179,130	1,366,106	1,346,133
Tax Levy	6,326,659	6,187,920	7,104,233	7,226,365	6,695,663
Rental income	614,513	646,191	529,227	373,002	451,085
Gifts, grants and donations	3,411,750	5,718,511	6,756,415	5,855,465	7,094,566
Investment income	340,716	211,486	79,514	120,466	79,246
Net realized and unrealized gains	53,437	42,335	(84,270)	(28,627)	(25,408)
Other income	501,018	300,164	304,261	380,252	763,591
Net assets released from restrictions	4,339,186	4,580,071	7,521,548	2,817,858	3,866,032
Total unrestricted revenues	28,918,512	31,642,717	37,534,139	33,311,442	36,773,804
Temporarily Restricted Revenues:					
Gifts, grants and donations	3,368,172	573,433	1,147,117	265,935	5,566,310
Investment income	88,872	73,035	52,452	19,410	5,275
Net realized and unrealized gains (losses)	-	(293,017)	101,151	-	-
Net assets released from restrictions	(4,339,186)	(4,580,071)	(7,521,548)	(2,817,858)	(3,866,032)
Total Temporarily Restricted Revenues	(882,142)	(4,226,620)	(6,220,828)	(2,532,513)	1,705,553
Total Revenues	28,036,370	27,416,097	31,313,311	30,778,929	38,479,357
Unrestricted Expenses:					
Programs:					
Animal care and health	(9,376,534)	(9,520,161)	(9,895,191)	(10,697,834)	(11,579,944)
Crew	(1,196,573)	(1,363,192)	(1,458,518)	(1,396,026)	(1,495,336)
Horticulture	(945,855)	(1,049,393)	(1,084,493)	(972,046)	(989,737)
Events and group functions	(2,757,262)	(2,937,843)	(3,022,396)	(3,898,157)	(4,302,782)
Park operations	(2,564,644)	(3,107,124)	(4,505,622)	(4,575,898)	(4,024,292)
Education	(2,885,750)	(2,629,310)	(2,798,400)	(2,201,415)	(2,652,929)
Supporting services:					
Facilities and external property	(2,033,117)	(3,052,426)	(3,084,541)	(4,605,191)	(4,419,532)
General and administrative	(3,369,503)	(2,264,417)	(2,531,883)	(3,002,207)	(3,465,181)
Fundraising	(1,405,615)	(1,721,427)	(1,033,093)	(1,013,354)	(979,314)
Total expenses	(26,534,853)	(27,645,293)	(29,414,137)	(32,362,128)	(33,909,047)
Income (loss) from operations	1,501,517	(229,196)	1,899,174	(1,583,199)	4,570,310
Unrestricted Endowment Activity:					
Gifts, grants and donations	8,315,203	805,151	566,909	231,868	403,997
Change in beneficial interest in trusts	-	(862,446)	557,786	163,029	(276,227)
Investment income, net	723,869	663,894	390,682	214,527	210,380
Net realized and unrealized gains	841,911	(5,181,852)	1,265,585	(193,916)	(74,308)
Endowment expenses	(330,008)	(190,292)	(172,991)	(209,427)	(188,995)
Total endowment activity	9,550,975	(4,765,545)	2,607,971	206,081	74,847
Temporarily Restricted Endowment Activity:					
Gifts, grants and donations	877,543	185,454	360,761	332,080	687,581
Investment income, net	-	-	182,641	205,397	216,564
Net realized and unrealized gains (losses)	-	(19,326)	1,052,944	1,301,016	(95,442)
Total endowment activity	877,543	166,128	1,596,346	1,838,493	808,703
Permanently Restricted Endowment Activity:					
Gifts, grants and donations	45,512	44,224	37,516	-	100,000
Change in beneficial interest in trusts	-	16,150	-	167,845	(6,259)
Total endowment activity	45,512	60,374	37,516	167,845	93,741
Change in assets	$11,975,547	$ (4,768,239)	$ 6,141,007	$ 629,220	$ 5,547,601

Appendix B
2013 Cash Handling Policies/Procedures

Starting Funds:

- If you are handling cash at any point throughout your shift, you must obtain a starting fund from the cash recycler.
- Verify funds were dispensed correctly by counting your funds once it comes out of the recycler. This must be done inside the ticketing area; any discrepancies should be reported immediately.
- Once you receive your funds, if you are moving to a new location, you must place the funds in a cloth cash control bag before leaving the area. Any time you are moving your money to a new location, money should be in a cloth cash control bag, zipped up.

Cash recycler:

- The cash recycler is a delicate piece of equipment that should be handled with the utmost care.
- If the recycler should jam or stop functioning, DO NOT attempt to fix the problem yourself; call an Admissions Supervisor.

Technical issues:

- If you suspect that you have made an error or your sales station displays any type of error, log as much information as possible if an Admissions Supervisor is not available.
    - This will likely prevent issues when time to cash out.

Cash handling safety:

- NEVER trust anyone with your cash unless they are your department's Supervisor, a Division Manager, Cash Control Coordinator, or Security Personnel identified only by a 'Cincinnati Zoo-issued identification badge.'
- In the event that money is being moved by someone other than you, money must be placed into a sealed plastic cash control bag and have an accompanied transmittal form that is completely filled out and signed by you and the other person. This is done when you do a 92 or 94.
- Contact security (Ext. 6112) or via radio if an individual(s) is making you question your safety.
- NEVER allow anyone to use your register unless it is a Division Manager, your Department Manager/Supervisor or someone from IT. Make sure you log off of your computer when you leave your sales station to make sure someone does not accidently ring onto your register
- You should not be giving out change at your location unless people are buying something; you should always be aware of con artists and pay attention to every transaction. Counterfeit pens should be used on bills that are $20 or larger.
- You should not be opening your drawer unless you have a customer or are asked to by Management.
- In the unlikely event of a robbery, DO NOT TRY TO BE THE HERO:

    - Follow all directions and immediately notify Security.
    - Remember as many details as possible about the situation.

Appendix B, continued
2013 Cash Handling Policies/Procedures, continued:

Deposits/Requests for change:

- For any deposit or change transaction, please keep your receipt dispensed by the recycler for your records.
  - If there is a discrepancy, your receipt will be needed to verify that funds were received correctly.
  - When requesting change or need of a deposit pickup, please notify ADMISSIONS via Ext. 6198, or by radio (Channel 2).
    - Be sure to use appropriate radio code for both instances.
  - Requests for change should be made WELL IN ADVANCE, if possible.

Radio codes:

*Cash = "Other"	*Credit card = "Credit"	*Coin = "Special"
*Start/Cash out = "92"	*Change fund needed = "93"	*Deposit = "94"

Example: "Train to Vine Ticketing." Wait for response. *"I need a special 93 at the train station please."*

Breaks:

- When you are given your break, all money needs to be kept in a recycler or a safe. Money should never be left in a register drawer unattended.
  - If a safe is available in your location, you may place your funds in a sealed bag with your name and user number on the bag and open the safe and place your funds in it. When you close the safe, you will need to lock it, using the swipe card on the safe and take the swipe card with you. Once you return and your money is out, you will need to return the swipe card to the clip on the side of the safe.

  - In the recycler:
    - Take $110-150 and set it aside and then deposit the rest of the money.
    - The money that was set aside should be put in the recycler under the option, "Safe Keeping."
    - You will retrieve this fund after your break by using the same option.

Audits:

- An audit is the counting of your till against a revenue report and will be performed by the Cash Control Coordinator, Admissions Supervisor, or your Manager.
  - Audits are done randomly or at the request of a guest if incorrect change may have been given.
  - Audits are a good way to ensure cash handling procedures are being followed accurately.
- Auditing will be done in the following ways:
  - Cash Control personnel will go to the till location and count all the money in the till. Once a total is confirmed, Cash Control will call ticketing and have them run and print a Galaxy booth report. The two numbers will be compared.
  - Personnel will safe-keep their money or have safe-keep their till. Cash Control will have ticketing supervisors run a Galaxy Report and then compare the two numbers. Staff does not need to be present for this because the till will have been counted by the recycler.

Appendix B, continued
2013 Cash Handling Policies/Procedures, continued:

- In the event that your funds are not correct during an audit, appropriate measures will be taken based on the Overage/Shortage Policy.

Security checks:

- The Cincinnati Zoo & Botanical Garden Security Department is authorized to do security checks on individuals and their belongings in the event of a significant variance or probable cause. These checks will be standardized once a set variance has been reached.

Security checks:

- The Cincinnati Zoo & Botanical Garden Security Department is authorized to do security checks on individuals and their belongings in the event of a significant variance or probable cause. These checks will be standardized once a set variance has been reached.

Personal cash:

- Bags and other personal belongings should not be in ANY area where cash is taken or kept. Bags and purses need to be stored in lockers or other locations specified by your Supervisors and/or Managers.

- Cashiers reporting for duty with an excess of $20 on their person must notify their Supervisor immediately.
    - Cashiers should see an Admissions Supervisor before retrieving their starting funds to have their personal cash sealed in a transmittal bag and stored in the safe until end of their shift.
    - Any money found on a cashier in excess of $20 will be assumed Zoo property and disciplinary actions up to/including termination may follow.

Overage/Shortage policy:

- In the event of an overage or shortage, cashiers are subject to disciplinary action in the following instances:
    - If total revenue is $500 or less, then you can be off $5 or less.
    - If total revenue is between $501 and $2,000, then you are allowed to be off $10.
    - If your revenue is $2,001 or more, then you are allowed to be off $16.
    - In the event of continuous overage or shortage, even when you are under the allowable amounts, you are subject to disciplinary action up to and including termination.

- In the event your overage or shortage is off more than the allowable amount, then the following steps will be taken:
    - LEVEL ONE: First documented instance. Verbal coaching with Supervisor/Manager.
    - LEVEL TWO: Second documented instance. Written warning. Point of Sale retraining.
    - LEVEL THREE: Third documented instance. Written warning. Sixty-day probation. Point of sale retraining. If you successfully complete probation, you will return to Level TWO.
    - LEVEL FOUR: Fourth documented instance. Sixty-day removal from cash. After 60-days of probation, without issue, you will return to Level TWO.

Appendix B, continued
2013 Cash Handling Policies/Procedures, continued:

- In the event of a significant overage or shortage, the Zoo reserves the right to skip levels as needed.
- Levels are good for one cash handling calendar year, February 1 through January 31, and do not start over at the end of the season.

Causes for immediate termination:

*Not reporting a known theft	*Consistent overage/shortage
*Overage/shortage in excess of $50	*Overage/shortage during probation
*Misappropriation	*Failure to comply with audit
*Ringing up items for oneself	*Failure to comply with Cash Handling Guidelines

Questions about this policy:

- All questions about the Cash Handling Procedures should be directed to your Department Manager immediately.

Appendix C
Overview of CREW Program

Lindner Center for
Conservation and Research of Endangered Wildlife (CREW)
As of April 1, 2013

CREW was established in 1981.

CREW's stated Situation and Goal follows:

Situation:

"Conservation is critical to the Cincinnati Zoo & Botanical Garden's mission and the sustainability of the world's valuable natural resources. The world's plants and animals are facing difficult times ahead because of both climate changes and the competition for natural resources that are unavoidable on a planet now occupied by over seven billion people. However, some of those same people offer hope for the animals and plants struggling to survive against the odds. At CREW, researchers work hard every day using science to learn and apply knowledge to save the future of wildlife.

Goal:

"CREW's mission: Saving Species with Science. We achieve our mission using the latest in cutting edge technology guided by a heavy dose of common sense and driven by heartfelt passion. Channeling the strengths and expertise of the scientific staff, CREW takes a focused approach to wildlife conservation by identifying a few programs (*Signature Projects*) where we believe our impact can be significant."

Signature Projects:

<u>CREW'S Signature Projects comprise five components:</u>

1. Education
2. Research
3. Propagation
4. In situ protection
5. Cincinnati Zoo & Botanical Garden presence

<u>CREW's current Signature Projects are:</u>

1. Small Cats
2. Rhinos, including the CZ&BG's Sumatran rhinoceros.
3. Endangered Plants, including a study of the indigenous plant of the Greater Cincinnati area.
4. Polar Bears. The most recently added Signature Project, the polar bear became the first animal added to the Endangered Species List due to global warming. Polar bears are part of the CZ&BG's collection.

Appendix C, continued
Overview of CREW Program

Additionally, CREW assists with the propagation of black warrior dogs, an endangered amphibian, which has a habitat that includes the Greater Cincinnati area.

Visitors to the CZ&BG are entertained and educated by the staff of CREW. Additional, CREW provides post-doctoral training for world class veterinarians.

CREW is largely self-sufficient, obtaining over 80% of its funding from grants, donations, fundraising events, and endowment allocations.

CREW actively participates in the AZA's species book breeding programs and has an international reputation as a premier conservation program.

CREW significantly enhances the CZ&BG in achieving it mission and adding to its stature as a world class zoo.

Appendix D
Benchmarking Data

Cincinnati Zoo & Botanical Garden
Peer Group and Cincinnati Area Attraction Analysis
April 7, 2013

	City	State Prov.	Rating: AAA GEM Y/N	Rating: Top 10 Zoos (3)	Admission: Adult	Admission: Child	Admission: Senior	Parking	Annual Attendance	Total / Operating Acreage	Total Annual Operating Budget	Operating Budget as a Cost Per Attendee
Ohio Zoos:												
Akron	Akron	OH	No	None	$ 10.00	$ 7.00	$ 9.00	$ 7.00	315,000	35 / 52	$ 12,734,000	$40.43
Cincinnati	Cincinnati	OH	Yes	2	$ 15.00	$ 10.00	$ 10.00	$ 8.00	1,400,000	79 / 79	$ 27,848,000	$19.89
Cleveland	Cleveland	OH	Yes	1	$ 12.25	$ 8.25	$ 12.25	$ -	1,177,000	80 / 173	$ 30,700,000	$26.08
Columbus	Powell	OH	Yes	3	$ 14.99	$ 9.99	$ 10.99	$ 8.00	2,374,000	340 / 580	$ 45,049,000	$18.98
Toledo	Toledo	OH	Yes	2	$ 14.00	$ 11.00	$ 11.00	$ 6.00	940,000	74 / 74	$ 32,000,000	$34.04
Regional Area Zoos:										Average - Ohio Zoos		$23.90
Indianapolis	Indianapolis	IN	Yes	2	$ 17.00	$ 12.00	$ 16.00	$ 6.00	1,068,000	64 / 64	$ 21,900,000	$20.51
Louisville	Louisville	KY	Yes	2	$ 14.00	$ 11.00	$ 11.00	$ 5.00	792,000	90 / 134	$ 12,070,400	$15.24
Pittsburgh	Pittsburgh	PA	Yes	3	$ 10.00	$ 9.00	$ 9.00	$ -	941,000	77 / 77	$ 16,000,000	$17.00
										Average - Regional Zoos		$17.84

	City	State Prov.	Rating: AAA GEM Y/N	Rating: Top 10 Zoos (3)	Admission: Adult	Admission: Child	Admission: Senior	Parking	Annual Attendance	Total / Operating Acreage	Total Annual Operating Budget	Operating Budget as a Cost Per Attendee
Selected Other North American Zoos:												
Brookfield	Brookfield	IL	Yes	2	$ 15.00	$ 11.00	$ 11.00	$ 10.00	2,283,000	216 / 216	$ 59,724,000	$26.16
Bronx	Bronx	NY	Yes	2	$ 15.00	$ 12.00	$ 14.00	$ 13.00	2,046,000	66 / 265	$ 70,758,000	$34.58
Lincoln Park	Chicago	IL	Yes	3	$ -	$ -	$ -	$ 20.00	3,000,000	35 / 35	$ 22,129,000	$7.38
National Zoo	Washington	D.C.	Yes	3	$ -	$ -	$ -	$ 16.00	2,252,000	104 / 163	$ 60,000,000	$26.64
Henry Doorly	Omaha	NE	Yes	3	$ 14.00	$ 9.00	$ 13.00	$ -	1,452,000	144 / 194	$ 28,005,000	$19.29
Oregon Zoo	Portland	OR	Yes	2	$ 11.00	$ 8.00	$ 9.00	$ 4.00	1,635,000	42 / 64	$ 31,244,000	$19.11
Philadelphia	Philadelphia	PA	Yes	2	$ 18.00	$ 15.00	$ -	$ -	1,265,000	42 / 42	$ 25,194,000	$19.92
Saint Louis	Saint Louis	MS	Yes	1	$ -	$ -	$ -	$ 15.00	2,935,000	93 / 93	$ 58,421,000	$19.90
San Diego Zoo	San Diego	CA	Yes	4	$ 42.00	$ 32.00	$ 42.00	$ -	3,500,000	100 / 100	$ 99,500,000 (estimated)	$28.43
Toronto	Toronto	ON	Yes	N/A	$ 20.00	$ 15.00	$ 11.00	$ 10.00	1,309,000	340 / 710	$ 46,216,000	$35.31
Zoo Atlanta	Atlanta	GA	Yes	2	$ 21.00	$ 17.00	$ 16.00	$ -	745,000	35 / 36	$ 15,277,000	$20.51
										Average - National Zoos		$23.03

Appendix D, continued
Benchmarking Data

Benchmarking Analysis- Cincinnati Area Attractions:

	City	State Prov.	Rating: AAA GEM Y/N	Rating: Top 10 Zoos (3)	Admission: Adult	Admission: Child	Admission: Senior	Parking	Annual Attendance
Cincinnati Reds 2012 National League Champions	Cincinnati	OH	N/R	N/A	$22-$ 253	N/A	N/A	$6.00 to $ 25.00	2,347,000
Cincinnati Museum Center - Natural History, Children's and History Museums	Cincinnati	OH	Yes	N/A	$ 12.50	$ 11.50	$ 8.50	$ 6.00	1,300,000
Coney Island Pools and Rides	Cincinnati	OH	N/R	N/A	$ 23.95	N/A	$ 10.95	$ 8.00	Not released
Kings Island	Mason	OH	Yes	N/A	$37.99 to $ 54.99	$ 33.99	$ 33.99	$12.00 to $ 20.00	3,100,000
Newport Aquarium	Newport	KY	Yes	N/A	$ 23.00	$ 15.00	$ 23.00	$0 to $ 8.00	687,500
The Beach Water Park	Mason	OH	N/R	N/A	$ 27.99	$ 19.99	$ 19.99	$ 8.00	N/A

Appendix E
Zoo's Updated Response to the Decosimo Report

i. Review the existing strategic plan in conjunction with the planned capital projects to determine if: a) sufficient donor support was/is available for each capital project, and b) operating costs of the strategic and capital projects will be supported by current operating revenue.

CZ&BG's *response:*

- *Three year strategic plan is in place.*
- *All current capital projects are fully funded: Phases 4 and 5 of Africa to come later.*
- *Operating expenses have been built into the budget.*

ii. Evaluate and prioritize routine capital projects so as to fund the projects with the most immediate need and projects with associated savings. Given the implementation of new capital projects, evaluate current pricing of memberships, gate admissions, and discount programs, including resident discounts.

CZ&BG's *response:*

- *Prioritized into three levels of need based on well being of collection, energy savings and visitor experience.*

iii. Evaluate pricing and discounts.

CZ&BG's response:

- *Five-year plan with staggered increases for all* CZ&BG *offerings.*
- *Celebrate Hamilton County Days annually in August with half price admission and parking*
- *Partner with Kathy Wade for Kids, Cultures, Critters & Crafts Festival with $1 admission.*

iv. Monitoring and management of flexible staffing levels and dollars associated with flexible staff.

v. Review the schedule for amortizing or otherwise reducing all debt, including that to the endowment.

CZ&BG's *response:*

- *Seasonal staffing levels are constantly monitored and adjust accordingly.*
- *Organizational chart changes have been made to better align like areas.*

vi. Amortize all debt and access tax exempt bonds.

CZ&BG's *response:*

- *Non-Foundation debt is being paid as scheduled.*
- *Foundation debt is being forgiven - forgiveness is aligned to strong operating performance by the* CZ&BG.
- *Tax-exempt bond markets will continue to be pursued as needs arise - the CZ&BG currently have two tax-exempt issuances.*

Appendix E, continued
Zoo's Updated Response to the Decosimo Report

vii. Review current outsourced contracts.
viii. Evaluate opportunities for additional funding of research and contribution on a national and international level.

CZ&BG's *response:*

- *Zoo currently monitors operations via our monthly dashboard comparing actual to established targets.*
- *Outsourced arrangements have been reviewed and buyout options have been used in lieu of contract extensions - the most notable of these is the SSA food and vending contract.*

ix. Review the establishment of a system for long-term reviews on the effectiveness and need for various research and conservation endeavors, including both existing and new projects.
x. Review the Zoo's cash collection procedures to assure appropriate charging for admission.

CZ&BG's *response:*

- *Funding for research has been and will continue to be pursued both nationally and internationally.*
- *Since 2008, two significant IMLS grants have been awarded to CEW along with many other smaller grants.*
- *The CZ&BG has enlisted the help of an experienced grant writer who has proven to be a definite asset.*
- *Focus has been placed on some key signature research projects and the CZ&BG* is *saying no to projects that do not fit their current conservation model.*

xi. Review the CZ&BG's admission gate system consolidation and the Zoo's system to reconcile admissions to cash.

CZ&BG's *response:*

- *Turnstiles at admissions have tightened up attendance counts.*
- *New cash recycler systems provide more automated and secure handling of cash.*
- *In lieu of the ability to consolidate to one admission gate the CZ&BG has increased cash control and security at the various points of admission and other locations where it is collected or handled.*

xii. Review the CZ&BG's development of a strategy for the use of properties recently purchased by the Zoo adjoining the Zoo property.
xiii. Review Regional Development data, including: a) collection of zip code information, b) signage placement, and c) relationship with the Regional Tourism Network.

CZ&BG's *response:*

- *There are two targeted areas around the Zoo that the CZ&BG will pursue as opportunities arise.*
- *The CZ&BG has paid at or below fair market value for properties in these areas.*
- *The CZ&BG is not pursuing property acquisitions that are not aligned with operations.*

Appendix E, continued
Zoo's Updated Response to the Decosimo Report

xiv. Regional development.

CZ&BG's *response:*

- *Zip code information is being collected and analyzed and decisions are being made from the data.*
- *Signage to the* CZ&BG *is much better now due to some efforts on the CZ&BG well as the new signage put up by the Uptown Consortium.*
- *The CZ&BG continues to work with the Cincinnati USA Regional Tourism Network, the Greater Cincinnati Convention & Visitors Bureau, and the Northern Kentucky Convention & Visitors Bureau on promoting the Zoo with various offerings and packages.*

xv. Reporting for Clermont and Warren Counties. Review separate accounting system for property located in Clermont and Warren counties.

CZ&BG's *response:*

- *A system is in place to provide separate accounting for these properties.*

xvi. Review the Zoo's work with the Association of Zoos and Aquariums (AZA) to update industry data on Zoo operations.

CZ&BG's *response:*

- *Information is submitted annually to AZA for their various databases.*
- *The CZ&BG recently submitted 2012 data to the AZA.*

Appendix F
Social Media and Digital Engagement Growth Summary

Cincinnati Zoo's Digital Engagement Growth Summary

Over the past five years, the landscape of digital communications has changed dramatically. The Cincinnati Zoo has embraced the use of powerful, convenient, and relatively inexpensive online tools and resources to engage with our visitors and the world! As a result, we are now able to share news and educational messages with our 110,000 Facebook fans, 20,000 Twitter followers and millions of Cincinnati Zoo YouTube visitors.

It took time and the dedication of resources to build this kind of following. In order to maintain the engagement of our core audience and increase reach, we continue to monitor the use of new tools and make sure our brand has a presence where our people are active.

Digital Media Presence in 2008:

144,171 people visited our **website**

25,215 Z-**mail** subscribers

Digital Media Presence Today:

Major presence:
1,602,633 people visited our **website** in 2012
90,348 Z-**mail** subscribers

111,000 Facebook fans

20,000 Twitter followers

1,600,000 YouTube channel views in 2012 (7K per day in 2013!)

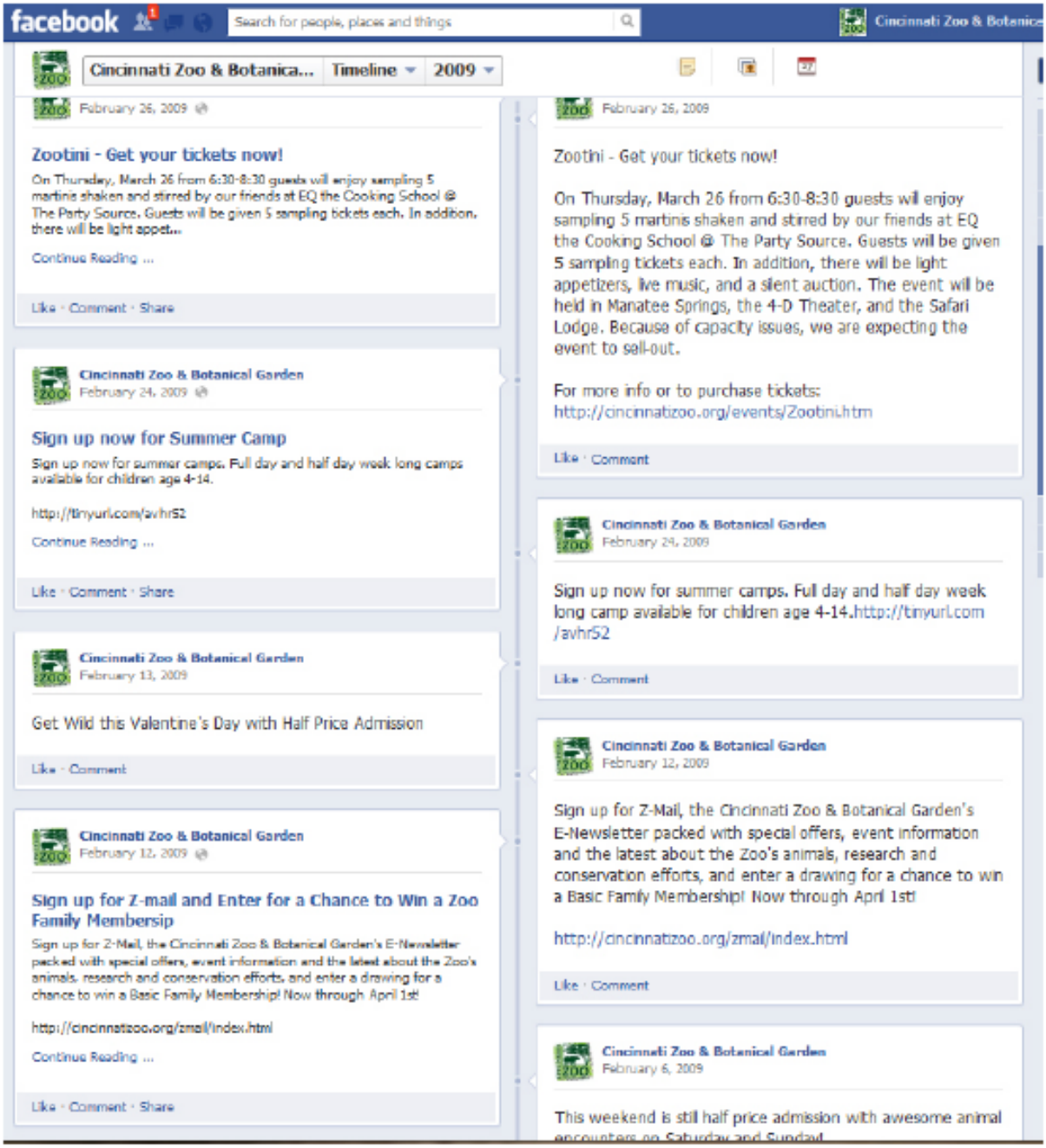
Growing presence:

Appendix F, continued
Social Media and Digital Engagement Growth Summary

Facebook

Cincinnati Zoo & Botanical Garden Facebook Page Launched January 20, 2009

Here are all the posts from February, 2009 - What's noticeable? Eight posts for the entire month and no Photos! We had to learn that great photos = likes and that our fans would engage more often if we posted more often...but not too much!



Appendix F, continued
Social Media and Digital Engagement Growth Summary

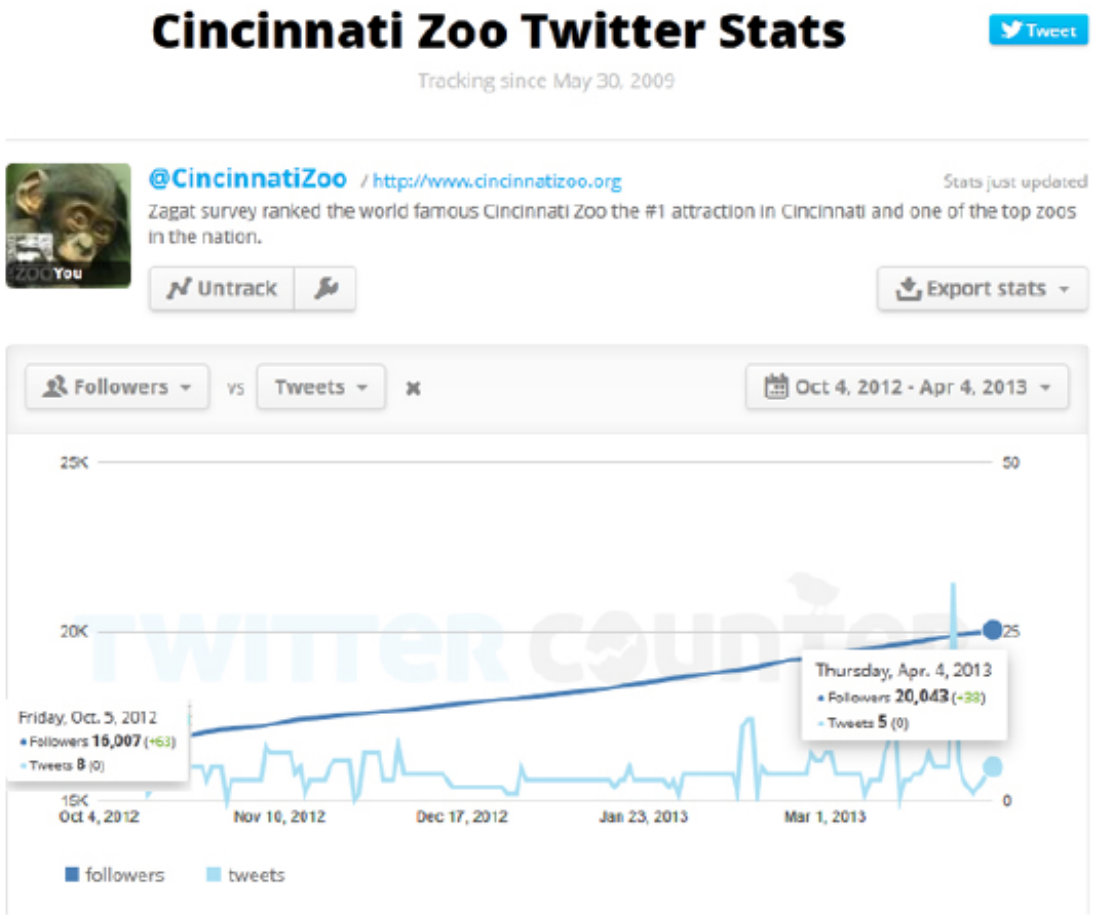
Today's posts - 6 in a single day . ALL with images:

Appendix F, continued
Social Media and Digital Engagement Growth Summary

Twitter

20,043 followers. - Launched May 2009. Aggressively increased engagement in the past two years and gained 4,000 new followers in the last 6 months!

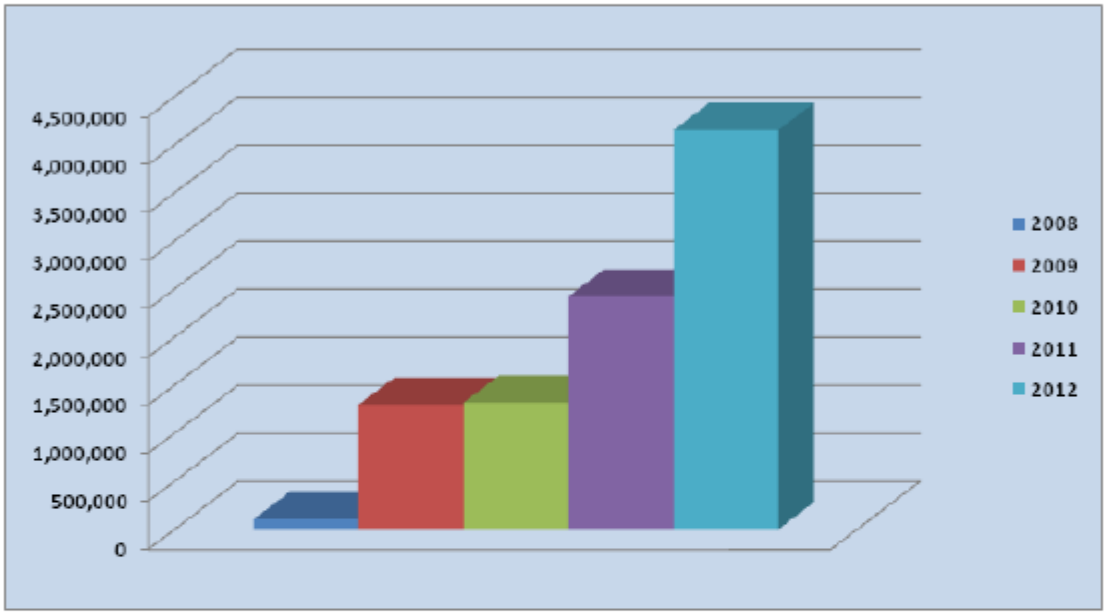
April 2010 - 4,576 followers
April 2011 - 7,951 followers
April 2012 - 13,020 followers
April 2013 - 20,043 followers



Appendix F, continued
Social Media and Digital Engagement Growth Summary

YouTube Views

2008 – 102,720
2009 – 1,294,500
2010 – 1,317,000
2011 – 2,420,600
2012 – 4,152,000



Website Visits

2008 - 144,000
2009 - 881,000
2010 - 1,545,000
2011 - 1,455,000
2012 - 1,602,000

Appendix G

CZ&BG Levy Renewal

CZ&BG Levy Renewal
Estimated Renewal Revenue - see Assumptions below
Source: Hamilton County Auditor's Office
(adjusted for rounding to Total Levy Renewal amounts)

Tax Year		2013	2014	2015	2016	2017	
Calendar Year		2014	2015	2016	2017	2018	Total
	Mills						
	0.46						
Renew							
Real Property & Public Utility Taxes (0111)		$ 5,963,455	$5,995,495	$ 6,026,274	$ 6,058,322	$ 6,090,370	$30,133,915
Rollback & Homestead (0142)		632,852	634,660	636,469	638,278	640,087	3,182,345
Public Utility PP Reimbursement (0143)		0	0	0	0	0	0
Tangible PP Reimbursement (0141)		0	0	0	0	0	0
Total Levy Revenue - Renewal		$ 6,596,307	$ 6,630,155	$ 6,662,742	$ 6,696,599	$ 6,730,457	$33,316,260

Assumptions:

(1) The levy terms are renewed, for a five year term, the same as the existing levy.
(2) The calculations are based on 96% of the current real estate property duplicate with a conservative estimate for new construction each year.
(3) The current cost of the Zoo levy for a $100,000 market house is $10.60

The cost calculated for the $100,000 home includes:

10% rollback
2.5% homestead credit
Current sales tax credit (which may vary depending any changes to the sales tax credit each year