

Financial Statements and Report of
Independent Certified Public
Accountants

The Zoological Society of Philadelphia

February 28, 2026 and 2025

Contents

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of cash flows	7
Notes to financial statements	8

GRANT THORNTON LLP

Two Commerce Square
2001 Market St., Suite 800
Philadelphia, PA 19103

D +1 215 561 4200

F +1 215 561 1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Zoological Society of Philadelphia

Report on the audit of the financial statements**Opinion**

We have audited the financial statements of The Zoological Society of Philadelphia (the "Zoo"), which comprise the statement of financial position as of February 28, 2026, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Zoo as of February 28, 2026, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Zoo and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Zoo's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

Other matter

Report on 2025 summarized comparative information

We have previously audited the Zoo's 2025 financial statements (not presented herein), and we have expressed an unmodified opinion on those audited financial statements in our report dated June 2, 2025. In our opinion, the accompanying summarized comparative information as of and for the year ended February 28, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Philadelphia, Pennsylvania
September 25, 2026

The Zoological Society of Philadelphia
STATEMENTS OF FINANCIAL POSITION
February 28,

	2026	2025
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,391,000	\$ 12,891,000
Investments	29,779,000	26,000,000
Accounts receivable, net	2,133,000	716,000
Pledges receivable, net	1,150,000	2,182,000
Government grants receivable, net	3,115,000	3,020,000
Prepaid expenses	107,000	1,452,000
Other assets	74,000	211,000
Total current assets	40,749,000	46,472,000
Investments	23,315,000	19,359,000
Pledges receivable, net	3,630,000	5,322,000
Government grants receivable, net	3,731,000	-
Operating lease right-of-use assets, net	330,000	565,000
Exhibits, buildings and equipment, net	92,305,000	64,611,000
Total assets	<u>\$ 164,060,000</u>	<u>\$ 136,329,000</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 848,000	\$ 878,000
Current portion of operating lease liability	181,000	257,000
Accounts payable	2,549,000	1,032,000
Accrued expenses	5,065,000	3,462,000
Deferred revenue	2,701,000	840,000
Total current liabilities	11,344,000	6,469,000
Long-term operating lease liability, net of current portion	155,000	278,000
Long-term deferred revenue, net of current portion	245,000	300,000
Accrued pension liability	83,000	657,000
Convertible line of credit	12,500,000	-
Long-term debt, net of current portion	6,295,000	7,091,000
Total liabilities	30,622,000	14,795,000
Net assets		
Net assets without donor restrictions	87,200,000	86,319,000
Net assets with donor restrictions		
Purpose restricted	19,928,000	12,106,000
Endowment funds	26,310,000	23,109,000
Total net assets with donor restrictions	46,238,000	35,215,000
Total net assets	133,438,000	121,534,000
Total liabilities and net assets	<u>\$ 164,060,000</u>	<u>\$ 136,329,000</u>

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

The Zoological Society of Philadelphia

STATEMENTS OF ACTIVITIES

February 28, 2026 (with summarized information as of February 28, 2025)

	Without Donor Restrictions	With Donor Restrictions			Total 2026	Total 2025
		Purpose Restricted	Endowment Funds	Total		
Revenue						
Earned revenue	\$ 24,656,000	\$ -	\$ -	\$ -	\$ 24,656,000	\$ 23,531,000
Contributed revenue	6,773,000	3,806,000	908,000	4,714,000	11,487,000	17,185,000
Contributed exhibits, equipment and utilities	6,536,000	-	-	-	6,536,000	7,211,000
Government grant revenue	5,453,000	4,820,000	-	4,820,000	10,273,000	1,668,000
Investment return, designated for current operations	656,000	-	920,000	920,000	1,576,000	1,574,000
Net assets released from restrictions	1,724,000	(804,000)	(920,000)	(1,724,000)	-	-
Total revenue	45,798,000	7,822,000	908,000	8,730,000	54,528,000	51,169,000
Expenses						
Program services						
Animal care	9,984,000	-	-	-	9,984,000	8,919,000
Education and conservation	2,204,000	-	-	-	2,204,000	1,881,000
Exhibit and garden care	8,799,000	-	-	-	8,799,000	7,707,000
Guest and member services	8,313,000	-	-	-	8,313,000	6,822,000
Contributed utilities	2,661,000	-	-	-	2,661,000	3,094,000
Interest expense	270,000	-	-	-	270,000	30,000
Depreciation and amortization	5,466,000	-	-	-	5,466,000	4,994,000
Total program services	37,697,000	-	-	-	37,697,000	33,447,000
Support services						
General management and administration	5,751,000	-	-	-	5,751,000	5,481,000
Fundraising and development	3,151,000	-	-	-	3,151,000	3,197,000
Marketing and advertising	2,021,000	-	-	-	2,021,000	2,011,000
Contributed utilities	157,000	-	-	-	157,000	183,000
Interest expense	307,000	-	-	-	307,000	374,000
Depreciation and amortization	134,000	-	-	-	134,000	236,000
Total support services	11,521,000	-	-	-	11,521,000	11,482,000
Total expenses	49,218,000	-	-	-	49,218,000	44,929,000
Change in net assets before other income (expense)	(3,420,000)	7,822,000	908,000	8,730,000	5,310,000	6,240,000
Other income (expense)						
Investment return, net, less amount designated for current operations	3,889,000	-	2,293,000	2,293,000	6,182,000	3,150,000
Other changes in benefit obligation	534,000	-	-	-	534,000	474,000
Change in fair value of swap liability	(138,000)	-	-	-	(138,000)	(169,000)
Other income	16,000	-	-	-	16,000	22,000
Total other income	4,301,000	-	2,293,000	2,293,000	6,594,000	3,477,000
CHANGE IN NET ASSETS	881,000	7,822,000	3,201,000	11,023,000	11,904,000	9,717,000
Net assets at beginning of year	86,319,000	12,106,000	23,109,000	35,215,000	121,534,000	111,817,000
Net assets at end of year	\$ 87,200,000	\$ 19,928,000	\$ 26,310,000	\$ 46,238,000	\$ 133,438,000	\$ 121,534,000

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

The Zoological Society of Philadelphia

STATEMENTS OF CASH FLOWS

February 28,

	2026	2025
Cash flows from operating activities:		
Change in net assets	\$ 11,904,000	\$ 9,717,000
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for endowment	(908,000)	(1,256,000)
Contributions restricted for services	(6,536,000)	(7,211,000)
Contributions restricted for capital purposes	(17,738,000)	(5,110,000)
Realized gains on sale of investments	(208,000)	(7,000)
Unrealized appreciation on investments	(5,487,000)	(2,745,000)
Other changes in benefit obligation	574,000	483,000
Depreciation and amortization	5,600,000	5,230,000
Loss on disposal of exhibits, buildings and equipment	-	295,000
Change in fair value of swap liability	138,000	168,000
Interest on finance lease liabilities	23,000	30,000
Changes in operating assets and liabilities:		
Pledges and accounts receivable	1,307,000	(1,114,000)
Government grants receivable	(3,826,000)	(237,000)
Prepaid expenses	1,345,000	(180,000)
Other assets	(1,000)	169,000
Operating lease right-of-use assets, net	235,000	64,000
Accounts payable and accrued expenses	2,005,000	367,000
Deferred revenue	1,806,000	(378,000)
Operating lease liability	(199,000)	(28,000)
Net cash used in operating activities	(9,966,000)	(1,743,000)
Cash flows from investing activities:		
Purchases of exhibits, buildings and equipment	(29,606,000)	(10,513,000)
Purchase of investments	(4,500,000)	(17,841,000)
Proceeds from sales of investments	2,460,000	17,225,000
Net cash used in investing activities	(31,646,000)	(11,129,000)
Cash flows from financing activities:		
Contributions restricted for endowment	908,000	1,256,000
Contributions restricted for services	2,818,000	3,276,000
Contributions restricted for capital purposes	17,738,000	5,110,000
Proceeds from convertible line of credit	12,500,000	-
Principal payments on debt	(796,000)	(795,000)
Payments of finance lease obligations	(56,000)	(56,000)
Net cash provided by financing activities	33,112,000	8,791,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,500,000)	(4,081,000)
Cash and cash equivalents, beginning of year	12,891,000	16,972,000
Cash and cash equivalents, end of year	\$ 4,391,000	\$ 12,891,000
Supplemental disclosures of cash flow information:		
Capital assets provided by the Philadelphia City Planning Commission	\$ 3,718,000	\$ 3,935,000
Capital assets financed through accounts payable and accrued expenses	\$ 1,768,000	\$ 1,961,000
Cash paid for interest	\$ 533,000	\$ 404,000

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

The Zoological Society of Philadelphia

NOTES TO FINANCIAL STATEMENTS

February 28, 2026 and 2025

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization

The Zoological Society of Philadelphia (the "Zoo"), a private not-for-profit corporation established in 1859, is America's first zoo. Its official public opening was on July 1, 1874. The Zoo, which is an accredited member of the Association of Zoos and Aquariums ("AZA"), acquires, maintains and exchanges its collection in accordance with AZA and United States Department of Agriculture regulations. The Zoo's core purpose is to connect people with wildlife, creating joyful discovery and inspiring action for animals and habitats. The Zoo shares its mission with a diverse audience through first-class educational programming, outstanding animal care, provocative exhibitions and cutting-edge conservation efforts. Currently home to approximately 1,900 animals of almost 300 different species from around the world, the Zoo welcomes approximately 980,000 visitors to its 42 acres as a national attraction and revered Philadelphia landmark.

Basis of Presentation

The Zoo follows accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require not-for-profit organizations to distinguish contributions received that increase net assets with or without donor restrictions. The Zoo's financial statements report amounts of total assets, liabilities and net assets in a statement of financial position; the change in net assets in a statement of activities; and the change in cash and cash equivalents in a statement of cash flows. The Zoo classifies net assets and its revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The amounts of each of two classes of net assets - net assets without donor restrictions and net assets with donor restrictions - are displayed in the statement of financial position, and the amounts of changes in each of those classes of net assets are displayed in the statement of activities.

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Zoo's financial statements for the year ended February 28, 2025, from which the summarized financial information was derived.

Cash and Cash Equivalents

All highly liquid investments, both with and without donor restrictions, with original maturities of three months or less, are considered to be cash equivalents.

Earned Revenue

For exchange transactions, the Zoo follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. This requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services.

The Zoo recognizes revenue from ticket sales for admissions as well as revenue for concessions, parking, events, sponsorships, attractions, and educational programs at the time of sale or event. Revenue from memberships is recorded upon receipt and is included in earned revenue in the statement of activities.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

In the following table, earned revenue is disaggregated by major type as of February 28, 2026 and 2025:

	2026	2025
Admissions	\$ 10,656,000	\$ 10,903,000
Memberships	5,772,000	5,745,000
Concessions	2,583,000	1,944,000
Parking	2,148,000	1,792,000
Events	1,426,000	1,260,000
Sponsorships	877,000	1,087,000
Attractions	901,000	568,000
Educational programs	293,000	232,000
Total earned revenue	\$ 24,656,000	\$ 23,531,000

Pledges and Accounts Receivable and Contributed Revenue

Unconditional promises to give with payments due in future periods are recorded as pledges receivable at their net present value and recognized as increases to the appropriate net asset classification at the date of promise. Conditional promises to give, which depend on the occurrence of specified future and uncertain events, are recognized when these conditions are substantially met.

The allowance for doubtful pledges and accounts receivable is maintained to absorb losses in the Zoo's pledges receivable. The Zoo continually monitors pledges receivable for collectability issues. An allowance for doubtful pledges is based upon management's judgment and is established based on a review of the individual accounts, prior collection history, the donor, current economic conditions and other pertinent factors. Pledges and accounts receivable deemed uncollectible are charged to the allowance. Pledges are recorded after discounting to present value of the future cash flows based on fair value rates, adjusted for inflation.

Contributions are recorded as revenue upon donor notification. Contributions that must be used to acquire exhibits, buildings and equipment are reported as net assets with donor restrictions within contributed revenue.

Contributed revenue with donor restrictions is reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions when stipulated time restrictions end or purpose restrictions are met. Contributions received where restrictions are met in the same fiscal year as receipt are recorded as net assets without donor restrictions within contributed revenue. Capital gifts are recorded as donor-restricted gifts until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions.

Government Grants Receivable and Revenue

The Zoo receives funding from various federal, state and local agencies. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the Zoo, the funding organization's mission, or the public at large.

The Zoo recognizes government grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. For government grants treated as contributions, revenue is recognized when a contribution becomes unconditional. Typically, government grant agreements contain a right of return or right of release from the respective obligation provision on the part of the grantor and the Zoo has limited discretion over how funds transferred should be spent. As such,

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

the Zoo recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases is when related costs are incurred.

Deferred Revenues

Deferred revenues relate primarily to prepayment of sponsorships and advance ticket and event sales.

Concentration of Credit Risk

The Zoo's cash and cash equivalents, which are deposited in financial institutions, sometimes exceed federally insured limits. The Zoo has not experienced any losses in these accounts and believes it is not exposed to significant credit risk on its cash and cash equivalents.

Investments

Investments are carried at fair value and are comprised of mutual funds, U.S. government obligations, corporate obligations, certificates of deposit and money market funds. For determination of gain and loss upon disposal of investments, costs are determined on an average cost basis. Donated investments are recorded at fair value.

Exhibits, Buildings and Equipment

Exhibits, buildings and equipment are capitalized and recorded at cost and depreciated over their estimated useful lives using the straight-line method.

Leases

In accordance with FASB ASC 842, *Leases*, the Zoo determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Zoo made the short-term lease election.

Operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term using a risk-free rate (the U.S. Treasury Rate with a comparable term for each operating lease). ROU assets also include adjustments related to lease payments made before the commencement date. Operating lease expense is recognized on a straight-line basis over the lease term within the appropriate functional category in the statement of activities. Lease terms may include options to extend or terminate the lease when it is reasonably certain the Zoo will exercise the option. Finance lease ROU assets are included in exhibits, buildings, and equipment, net of accumulated amortization, and the related ROU liabilities are included in long-term debt in the statement of financial position.

Concession Agreement

In February 2024, the Zoo entered into an agreement with a new concessionaire to provide certain concession services whereby the concessionaire has sole and exclusive rights to operate the food and beverage concessions at the Zoo and to provide catering services at the Zoo, subject to certain exceptions as set forth in the agreement. The initial term of the agreement is through January 31, 2031, and the agreement may be extended for an additional two-year period upon the Zoo's written notice to the concessionaire of its intent to renew (the Zoo must notify the concessionary of its desire to exercise this extension option no later than January 31, 2028). Existing food and beverage equipment as of the effective date of the agreement was provided by the Zoo to the concessionaire for its use in connection with the provision of its concession services. Repairs and replacements of certain equipment were performed by

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

the Zoo as part of this arrangement, but those amounts were not material to the financial statements for the years ended February 28, 2026 and 2025.

As part of the agreement, the concessionaire will invest up to \$1,750,000 to be used towards the purchase by concessionaire of certain mutually agreed upon food and beverage equipment and improvements. Concessionaire will amortize their investment balance on a straight-line basis over the initial term and provide a quarterly update to the Zoo as to the unamortized investment balance. Upon expiration of the term or in the event the agreement is terminated earlier by either party, the Zoo will pay the concessionaire an amount equal to the unamortized investment balance. As of February 28, 2026 and 2025, the unamortized investment balance was \$1,405,000 and \$1,146,000, respectively, and these purchases are considered lessee-owned leasehold improvements by the Zoo in accordance with ASC 842 wherein the Zoo is the lessor of the purchased food and beverage equipment and improvements over the agreement term and the concessionaire is the lessee.

Contributed Nonfinancial Assets

The Zoo receives various types of contributed nonfinancial assets on an annual basis such as contributed exhibits, equipment, and services from other organizations. In accordance with the Zoo's policies, contributed nonfinancial assets must enhance or further its mission in order to be accepted. Tangible contributed nonfinancial assets determined to be suitable for use are distributed and/or utilized in program services. Nontangible contributed nonfinancial assets, including utilities and services are recognized as income in the period they are received and recorded as part of program or supporting services upon use and based upon the nature of the nontangible contributed nonfinancial asset. Contributed nonfinancial assets do not have donor-imposed restrictions.

Included in contributed exhibits and equipment are the Philadelphia City Planning Commission Capital Program (the "City") contributions of exhibits, buildings, and equipment. The City investments in the Zoo, which leverage other public and private investments, have been a significant source of funding throughout the Zoo's history. These contributed items are capitalized or expensed as appropriate. The City contributed approximately \$3,718,000 and \$3,935,000 for the years ended February 28, 2026 and 2025, respectively. These are recorded based upon estimated fair values provided by the City. The Zoo also received contributed utilities (water) from the City of approximately \$2,818,000 and \$3,276,000 for the years ended February 28, 2026 and 2025, respectively. These are recorded based upon actual usage at fair market value.

Additionally, the Zoo had approximately 685 and 610 volunteers for the years ended February 28, 2026 and 2025, respectively. These volunteers made significant contributions of time, approximately 29,047 and 18,000 hours, respectively, for the years ended February 28, 2026 and 2025, primarily to the Zoo's education and guest services programs. The value of this contributed time does not meet the criteria for recognition of contributed services as defined by U.S. GAAP and, accordingly, is not reflected in the accompanying financial statements.

For the years ended February 28, 2026 and 2025, such contributed nonfinancial assets recognized within the statements of activities consisted of the following:

	2026	2025
Exhibits and equipment	\$ 3,718,000	\$ 3,935,000
Utilities (water)	2,818,000	3,276,000
Total	<u>\$ 6,536,000</u>	<u>\$ 7,211,000</u>

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

Animal and Horticultural Collections

Additions to the animal and horticultural collections are expensed if purchased. Additions to these collections acquired other than by purchase are not assigned a value and are not accounted for in the accounts of the Zoo.

Benefit Plans

The Zoo has a 401(k) Retirement Savings Plan for all eligible employees. The Zoo currently matches 100% up to 5% of the participant contributions after one year of employment. The Zoo's contributions to the plan amounted to approximately \$830,000 and \$624,000 for the years ended February 28, 2026 and 2025, respectively.

The Zoo also has a noncontributory defined benefit retirement plan. The Zoo's policy is to fund, at a minimum, the amount required under the Employee Retirement Income Security Act of 1974, as amended. Plan vesting for non-union employees was frozen as of January 1, 2003 and for union employees as of January 1, 2006.

Agreement With Philadelphia Department of Parks and Recreation

The Zoo occupies 42 acres under terms of an agreement between the Zoo and the Philadelphia Department of Parks and Recreation (previously Fairmount Park Commission). The agreement licenses the Zoo to occupy the land for purposes of operating a zoological garden. The current period of the license is for 25 years, beginning in September 2023 and expiring in September 2048. Notice must be given five years prior to the expiration date, otherwise the agreement will automatically renew for another 25-year period at the conclusion of the current term. In the event of a future termination, just compensation is to be paid to the Zoo for any of its owned exhibits, buildings and collections.

The Zoo entered into a ground sublease with the City for the land used in connection with the Zoo's parking garage located at 3404 West Girard Avenue. The Zoo made a one-time payment of \$5,000 in 2012 that covers the entire term of the sublease. The lease expires in January 2042.

The Zoo used Zoological Drive, 38th Street Lot and Sedgely Parking Area as additional parking for Zoo patrons under the terms of an agreement between the Zoo and the City. The agreement licensed the Zoo to operate and maintain these surface parking lot facilities. The period of the license was for 10 years, beginning in 2015, and the Zoo did not extend the agreement with the City upon its expiration in 2025.

Income Taxes

The Zoo is a private not-for-profit corporation exempt from federal income taxes under the Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). The Zoo is also exempt from state and local taxes under applicable statutes.

The Zoo recognizes or derecognizes a tax position based upon a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Zoo does not believe its financial statements include any material uncertain tax positions.

Use of Estimates

The financial statements include estimates and assumptions made by management that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates relate to the determination of allowances for doubtful pledges and accounts receivable, useful lives of fixed assets, valuation of investments, actuarial estimates for the Zoo's

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

pension plan, the reported fair values of certain Zoo assets and liabilities, as well as the allocation of natural expenses attributable to more than one functional expense category, which are allocated using a variety of cost allocation techniques such as square footage and time and effort. Actual results could differ from those estimates.

Non-Operating Activities

The Zoo considers other income, other expenses, net investment returns not designated for current use, other changes in benefit obligations, and the change in fair value of interest rate swap liabilities to be non-operating activities.

Labor Force

The Zoo has concentrations of its labor force working under a union collective bargaining agreement which expires on June 30, 2029. The percentage of the Zoo's full-time labor force subject to this collective bargaining agreement is 44%.

Reclassifications

Certain reclassifications have been made to prior year amounts in the financial statements to conform to current year presentation. These reclassifications had no impact on the Zoo's assets, liabilities, or change in net assets.

NOTE B - PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable, and related revenue is recorded by net asset category. Included in pledges receivable at February 28, 2026 and 2025 are the following unconditional promises:

	2026	2025
Unconditional promises expected in less than one year	\$ 1,150,000	\$ 2,182,000
Unconditional promises expected between one to five years	3,832,000	5,538,000
	4,982,000	7,720,000
Less: discount and allowances	(202,000)	(216,000)
Pledges receivable, net	<u>\$ 4,780,000</u>	<u>\$ 7,504,000</u>

At February 28, 2026 and 2025, the discount rate used to measure present value was 3.8% and 3.0%, respectively.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE C - INVESTMENTS

Investments, both with and without donor restrictions, consist of the following at February 28, 2026 and 2025:

	2026	2025
Cash and cash equivalents	\$ 959,000	\$ 54,000
Fixed income	20,944,000	18,096,000
Equities	31,079,000	27,195,000
Other	112,000	14,000
	<u>\$ 53,094,000</u>	<u>\$ 45,359,000</u>
Total investments		

Net investment return consists of the following for the years ended February 28, 2026 and 2025:

	2026	2025
Investment income, net - operations	\$ 180,000	\$ 535,000
Investment income, net - endowment	1,883,000	1,437,000
Net realized gain from sales of investments	208,000	7,000
Net unrealized appreciation	5,487,000	2,745,000
	<u>\$ 7,758,000</u>	<u>\$ 4,724,000</u>
Investment return, net		
Investment return, designated for current operations	\$ 1,576,000	\$ 1,574,000
Investment return, less amount designated for current operations	6,182,000	3,150,000
	<u>\$ 7,758,000</u>	<u>\$ 4,724,000</u>
Investment return, net		

NOTE D - ENDOWMENTS

Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Zoo's endowment consists of a portfolio established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment.

Interpretation of Relevant Law

The Board of Directors of the Zoo has interpreted Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Zoo classifies as donor restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is regarded as "net appreciation" is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the Zoo in a manner consistent with the Zoo's spending policy.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the “historic dollar value.” As of both February 28, 2026 and 2025, the Zoo had no funds with deficiencies. The Zoo’s policies permit spending from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations.

Endowment Investment Policy

The Zoo has adopted an investment policy that is intended to provide a predictable stream of funding to programs from its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Zoo must hold in perpetuity as well as board-designated funds. Under this approach, as approved by the Investment Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that equal the total of the amount drawn annually for operations plus the rate of inflation and investment management fees.

Endowment Spending Policy

With respect to the total endowment, the Board of Directors has designated a 3.5% annual draw for both of the years ended February 28, 2026 and 2025 based upon the most recent 13-quarter average total endowment balance. The Zoo has a two-tiered spending policy within the 3.5% for both 2026 and 2025 total endowment draw. First, for donor-restricted endowments where the donor is silent on the annual draw amount, the Zoo follows the Commonwealth of Pennsylvania Act 141. The Board of Directors has elected a 5% draw for both 2026 and 2025 based on the trailing three preceding year-end average balances for restricted donor-endowed funds without explicit spending instructions. The total annual draw amount is calculated as the difference between the 3.5% draw from the total endowment less the 5% draw component for restricted endowments.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Zoo relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A consultant is used to assist the Investment Committee of the Board of Directors in this process.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

Endowment Fund Activity

<u>February 28, 2026</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 23,315,000	\$ 23,315,000
Board-designated funds	29,711,000	-	29,711,000
	<u>\$ 29,711,000</u>	<u>\$ 23,315,000</u>	<u>\$ 53,026,000</u>
Endowment, February 28, 2025	\$ 26,000,000	\$ 19,359,000	\$ 45,359,000
Investment return			
Investment income, net	1,090,000	793,000	1,883,000
Net realized gains	108,000	100,000	208,000
Net unrealized appreciation	<u>3,169,000</u>	<u>2,318,000</u>	<u>5,487,000</u>
	4,367,000	3,211,000	7,578,000
New gifts	-	1,665,000	1,665,000
Amount designated for current operations (draw)	<u>(656,000)</u>	<u>(920,000)</u>	<u>(1,576,000)</u>
Endowment, February 28, 2026	<u>\$ 29,711,000</u>	<u>\$ 23,315,000</u>	<u>\$ 53,026,000</u>
<u>February 28, 2025</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 19,359,000	\$ 19,359,000
Board-designated funds	26,000,000	-	26,000,000
	<u>\$ 26,000,000</u>	<u>\$ 19,359,000</u>	<u>\$ 45,359,000</u>
Endowment, February 29, 2024	\$ 24,051,000	\$ 17,940,000	\$ 41,991,000
Investment return			
Investment income, net	830,000	607,000	1,437,000
Net realized gains	-	7,000	7,000
Net unrealized appreciation	<u>1,575,000</u>	<u>1,170,000</u>	<u>2,745,000</u>
	2,405,000	1,784,000	4,189,000
New gifts	-	1,256,000	1,256,000
Other	250,000	(753,000)	(503,000)
Amount designated for current operations (draw)	<u>(706,000)</u>	<u>(868,000)</u>	<u>(1,574,000)</u>
Endowment, February 28, 2025	<u>\$ 26,000,000</u>	<u>\$ 19,359,000</u>	<u>\$ 45,359,000</u>

There were \$2,995,000 of gifts receivable to the endowment as of February 28, 2026 and 2025.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

Donor-Restricted Endowment Funds

Donor-restricted endowment funds are as follows at February 28, 2026 and 2025:

	2026	2025
Education or exhibits	\$ 8,655,000	\$ 7,723,000
Unrestricted income	4,673,000	4,170,000
Staff and development	3,205,000	2,838,000
Exhibits, buildings and equipment	1,929,000	1,715,000
Animal care	3,621,000	1,771,000
Special needs guests	761,000	678,000
Education and conservation	471,000	464,000
	<u>\$ 23,315,000</u>	<u>\$ 19,359,000</u>
Donor-restricted endowment funds	<u>\$ 23,315,000</u>	<u>\$ 19,359,000</u>

Board-Designated Endowment Funds

Board-designated endowment funds are earmarked as follows at February 28, 2026 and 2025:

	2026	2025
Board-designated for general operations	\$ 19,401,000	\$ 16,869,000
Board-designated for building maintenance funds	9,098,000	8,113,000
Board-designated for LumiNature resiliency	1,212,000	1,018,000
	<u>\$ 29,711,000</u>	<u>\$ 26,000,000</u>
Board-designated endowment funds	<u>\$ 29,711,000</u>	<u>\$ 26,000,000</u>

NOTE E - EXHIBITS, BUILDINGS AND EQUIPMENT

Exhibits, buildings and equipment at February 28, 2026 and 2025 include:

	Estimated Life	2026	2025
Exhibits and buildings	10-50 years	\$ 165,312,000	\$ 144,334,000
Equipment	7-12 years	5,391,000	4,731,000
Information technology	3-7 years	1,732,000	1,692,000
Equipment under finance leases	5-8 years	426,000	426,000
		172,861,000	151,183,000
Less: accumulated depreciation		<u>(101,343,000)</u>	<u>(95,750,000)</u>
		71,518,000	55,433,000
Construction in progress		<u>20,787,000</u>	<u>9,178,000</u>
Exhibits, buildings and equipment, net		<u>\$ 92,305,000</u>	<u>\$ 64,611,000</u>

Depreciation expense for the years ended February 28, 2026 and 2025 was \$5,508,000 and \$5,136,000, respectively.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE F - CREDIT FACILITY

At February 28, 2025, the Zoo had a \$2,500,000 working capital line of credit that expired September 30 each year; renewed annually for a one-year extension. On September 30, 2025, the Zoo increased the working capital line of credit from \$2,500,000 to \$5,000,000 and extended the term for an additional two-years that expires on September 30, 2027. The interest rate at both February 28, 2026 and 2025 is the Secured Overnight Financing Rate ("SOFR") of 160 bps. At February 28, 2026 and 2025, the rate was 5.22% and 4.39%, respectively. There was \$0 outstanding at both February 28, 2026 and 2025.

On March 5, 2025, the Zoo added a \$15,000,000 non-revolving convertible line of credit note that converts to a term loan after two years commencing on March 5, 2027 with a final maturity on March 4, 2030. Prior to the conversion date, only interest is due and payable monthly. The line is secured by a pledge agreement on securities account held for investments, and all sub accounts of such securities account, and all assets, but excluding any units in any common trust fund or collective investment fund. The interest rate at both February 28, 2026 and 2025 is the SOFR of 115 bps. At February 28, 2026, the rate was 4.82%. There was \$12,500,000 outstanding at February 28, 2026.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE G - LONG-TERM DEBT

Debt consists of the following at February 28, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Term loan entered into on May 29, 2020, with an initial principal balance of \$700,000. Principal and interest payments are due beginning on July 1, 2020 and monthly until May 29, 2025. Interest expense is fixed at 3.71%.	\$ -	\$ 47,000
Term loan entered into on February 28, 2018, with an initial principal balance of \$6,547,000. Principal and interest payments are due beginning on April 1, 2018 and monthly until February 28, 2028, when a final balloon payment of \$4,776,000 is due. Interest expense is charged at daily simple SOFR plus 154 basis points as of February 28, 2026 and 2025 (5.21% and 5.88% at February 28, 2026 and 2025, respectively). The interest rate has been fixed on this debt through an interest rate swap at 4.26%. See Note H.	5,199,000	5,397,000
Revenue bond issued on June 21, 2019 for \$5,215,000, with monthly principal payments commencing on July 1, 2019. The term of the bond is 10 years and matures on February 1, 2029. Interest expense is charged at 79% of daily simple SOFR plus 134 basis points as of February 28, 2026 and 2025 (4.35% and 4.86% at February 28, 2026 and 2025, respectively). The interest rate has been fixed on a portion of this debt through an interest rate swap at 2.995%. See Note H.	<u>1,741,000</u>	<u>2,253,000</u>
	6,940,000	7,697,000
Less: current portion of long-term debt, excluding current portion of finance lease liability	(776,000)	(801,000)
Less: deferred financing costs	(11,000)	(18,000)
Plus: finance lease liability, non-current	<u>142,000</u>	<u>213,000</u>
	<u>\$ 6,295,000</u>	<u>\$ 7,091,000</u>

The aggregate future maturities of debt are as follows:

<u>Year Ending</u>	
2027	\$ 776,000
2028	5,574,000
2029	<u>590,000</u>
	<u>\$ 6,940,000</u>

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE H - INTEREST RATE SWAPS

The Zoo has entered into interest rate swap agreements in order to hedge interest rate exposure on the underlying debt agreements. The swap agreements are as follows:

<u>Agreement</u>	<u>Notional Amount</u>	<u>Start Date</u>	<u>Maturity Date</u>	<u>Fixed Rate</u>	<u>Floating Rate</u>
PNC Bank (MX-194197)	\$ 5,215,000	6/14/2019	1/01/2029	2.995%	USD-SOFR WTD AVG
PNC Bank (MX-149081)	6,547,000	2/28/2018	2/29/2028	4.26%	USD-SOFR WTD AVG

The Zoo earned interest income of \$357,000 and \$188,000 under the interest rate swap agreements for the years ended February 28, 2026 and 2025, respectively. The Zoo recorded an asset of \$66,000 and \$205,000 related to the interest rate swap agreements for the years ended February 28, 2026 and 2025, respectively, which is included within the other assets line item in the statements of financial position.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED

Net assets with donor restrictions as to purpose are available for the following purposes at February 28, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Exhibits, buildings and equipment	\$ 17,929,000	\$ 10,663,000
Education and conservation	266,000	1,252,000
Other program support	1,733,000	191,000
Total net assets with donor restrictions	<u>\$ 19,928,000</u>	<u>\$ 12,106,000</u>

NOTE J - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The net assets released from donor restrictions when a purpose restriction was accomplished related to the following purposes at February 28, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Exhibits, buildings and equipment	\$ 883,000	\$ 1,065,000
Education and conservation	276,000	659,000
Other program support	565,000	472,000
Total net assets released from restrictions	<u>\$ 1,724,000</u>	<u>\$ 2,196,000</u>

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE K - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of February 28, 2026 and 2025, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and capital construction costs not financed by debt, were as follows:

	2026	2025
Financial assets:		
Cash and cash equivalents	\$ 4,391,000	\$ 12,891,000
Investments	29,779,000	26,000,000
Accounts receivable, net	2,133,000	744,000
Pledges receivable, net	1,150,000	2,182,000
Government grants receivable, net	3,115,000	3,020,000
Total financial assets available within one year	40,568,000	44,837,000
Less those unavailable for general expenditure within one year, due to:		
Cash and cash equivalents with specific restrictions	-	(6,728,000)
Pledges and government grants with specific restrictions	(3,926,000)	(3,465,000)
Total amounts unavailable for general expenditures within one year	(3,926,000)	(10,193,000)
Total financial assets and liquidity resources available within one year	<u>\$ 36,642,000</u>	<u>\$ 34,644,000</u>

Investments are board-designated and could be drawn upon by a resolution of the Board of Directors. Subsequent to year end, in April 2026, the Board of Directors approved an extraordinary supplemental draw of \$6,000,000.

In addition, the Zoo has a line of credit of \$5,000,000 that expires on September 30, 2027. There was no balance outstanding at either February 28, 2026 or 2025. See Note F.

NOTE L - DEFINED BENEFIT PENSION PLAN

The actuarially computed net periodic pension cost for the Zoo included the following components for the years ended February 28, 2026 and 2025:

	2026	2025
Interest cost	\$ 436,000	\$ 450,000
Expected return on plan assets	(551,000)	(537,000)
Net amortization and deferral	219,000	225,000
Net periodic pension expense	104,000	138,000
Other changes in benefit obligation included in other income	430,000	(296,000)
Total recognized net benefit change	<u>\$ 534,000</u>	<u>\$ (158,000)</u>

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

Assumptions

Weighted-average assumptions used to determine benefit obligations at February 28, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Discount rate	5.25%	5.25%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension expense at February 28, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Discount rate	5.25%	5.25%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

The following table presents a reconciliation of the beginning and ending balances of the fair value of plan assets and the funded status of the plan at February 28, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Changes in plan assets:		
Fair value of plan assets, beginning of year	\$ 8,133,000	\$ 7,829,000
Actual return on plan assets	744,000	478,000
Employer contribution	133,000	405,000
Benefits paid and expenses	<u>(581,000)</u>	<u>(579,000)</u>
Fair value of plan assets, end of year	<u>8,429,000</u>	<u>8,133,000</u>
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	8,790,000	8,969,000
Interest cost	436,000	450,000
Actuarial gain	(133,000)	(50,000)
Benefits paid and expenses	<u>(581,000)</u>	<u>(579,000)</u>
Projected benefit obligation, end of year	<u>8,512,000</u>	<u>8,790,000</u>
Funded status of the plan-accrued pension liability	<u>\$ (83,000)</u>	<u>\$ (657,000)</u>

The method used to determine the projected benefit obligation was the projected unit credit actuarial cost method.

The pension plan target allocations, by asset category, are impacted by the plan's funded status. Depending on the funded status of the plan, the target allocation ranges from 30% - 65% for equity securities and 35% - 70% for fixed income.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

The Zoo's pension plan weighted-average asset allocations at February 28, 2026 and 2025, by asset category, are as follows:

	<u>2026</u>	<u>2025</u>
Equity securities	21%	29%
Fixed income and short-term securities	79%	71%

The Zoo has constructed an Investment Policy Statement ("IPS") to establish objectives, guidelines and monitoring criteria for the investments of the defined benefit plan.

The investment strategies of the plan are to build a diversified portfolio of equity or equity-like securities considering the long-term investment time horizon. Fixed income securities will be used to lower the volatility of the portfolio and provide income stability. The plan's asset manager performs fundamental analysis to build the portfolio and diversify across sectors, industries and individual securities with an emphasis on quality. The IPS includes quantitative performance objectives for each asset class and uses a variety of benchmark indexes.

The plan's financial assets are measured at fair value, on a recurring basis, using the market approach valuation technique. Plan asset values are based on quoted market prices in active markets. The Zoo considers these Level 1 inputs in the fair value hierarchy.

Expected Future Benefit Payments

The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows based on the plan year of February 28, 2026:

2027	\$ 638,000
2028	644,000
2029	652,000
2030	664,000
2031	658,000
2032-2035	<u>3,200,000</u>
	<u>\$ 6,456,000</u>

Contributions

The Zoo expects to contribute \$272,500 to the retirement plan for the year ended February 28, 2027.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE M - COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Zoo's operating and finance leases are primarily related to certain equipment and warehouse spaces expiring at various dates through 2030.

<u>Components of Lease Cost</u>	<u>2026</u>	<u>2025</u>
Operating lease expense	\$ 289,000	\$ 320,000
Finance lease expense:		
Amortization of ROU assets	85,000	85,000
Interest on lease liabilities	23,000	30,000
Total finance lease expense	108,000	115,000
Total lease expense	\$ 397,000	\$ 435,000
<u>Supplemental Cash Flow Information</u>	<u>2026</u>	<u>2025</u>
Cash paid for amounts included in measurement of lease liability:		
Operating cash flows for operating leases	\$ 289,000	\$ 320,000
<u>Supplemental Statement of Financial Position Information</u>	<u>February 28, 2026</u>	
	<u>Operating</u>	<u>Finance</u>
ROU assets	\$ 1,415,000	\$ 426,000
Accumulated amortization	(1,085,000)	(267,000)
ROU assets, net	\$ 330,000	\$ 159,000
Lease liability, current	\$ 181,000	\$ 72,000
Lease liability, non-current	155,000	142,000
Total lease liability	\$ 336,000	\$ 214,000
Weighted-average remaining lease term (years)	2.02	2.13
Weighted-average discount rate	3.99%	0.83%

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

<u>Supplemental Statement of Financial Position Information</u>	February 28, 2025	
	<u>Operating</u>	<u>Finance</u>
ROU assets	\$ 1,346,000	\$ 426,000
Accumulated amortization	(781,000)	(182,000)
ROU assets, net	<u>\$ 565,000</u>	<u>\$ 244,000</u>
Lease liability, current	\$ 257,000	\$ 77,000
Lease liability, non-current	278,000	213,000
Total lease liability	<u>\$ 535,000</u>	<u>\$ 290,000</u>
Weighted-average remaining lease term (years)	1.33	3.79
Weighted-average discount rate	3.32%	0.83%
<u>Lease Maturity Table</u>	<u>Operating</u>	<u>Finance</u>
<u>Fiscal Year Ending February 28:</u>		
2027	\$ 181,000	\$ 72,000
2028	131,000	110,000
2029	32,000	32,000
2030	1,000	-
	345,000	214,000
Less: effects of discounting	(9,000)	-
Total	<u>\$ 336,000</u>	<u>\$ 214,000</u>

Litigation

The Zoo is from time to time subject to routine legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, after consultation with outside legal counsel, the ultimate disposition of such proceedings will not have a materially adverse effect on the Zoo's financial statements.

Capital Commitments

There were \$11,780,000 of Board of Directors approved commitments related to capital projects at February 28, 2026.

Government Grants

All funds expended by the Zoo in connection with government grants are subject to review or audit by governmental agencies. Management believes that any claims resulting from such reviews or audits would not have a material adverse effect on the financial statements of the Zoo.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE N - FAIR VALUE MEASUREMENTS

The Zoo has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are described below:

- Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Financial assets and liabilities whose values are based on one or more of the following:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in non-active markets;
 - Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
 - Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.
- Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Zoo's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the type of inputs may result in a reclassification for certain financial assets or liabilities.

The Zoological Society of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

February 28, 2026 and 2025

The following tables present information about the Zoo's assets and liabilities measured at fair value on a recurring basis as of February 28, 2026 and 2025 and indicate the fair value hierarchy of the valuation techniques utilized by the Zoo to determine such fair value.

<u>February 28, 2026</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments (endowment)				
Cash and cash equivalents	\$ 959,000	\$ -	\$ -	\$ 959,000
Fixed income	20,944,000	-	-	20,944,000
Equities	31,079,000	-	-	31,079,000
Other	112,000	-	-	112,000
Interest rate swaps	-	66,000	-	66,000
Total assets	\$ 53,094,000	\$ 66,000	\$ -	\$ 53,160,000
<u>February 28, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments (endowment)				
Cash and cash equivalents	\$ 54,000	\$ -	\$ -	\$ 54,000
Fixed income	18,096,000	-	-	18,096,000
Equities	27,195,000	-	-	27,195,000
Other	14,000	-	-	14,000
Interest rate swaps	-	205,000	-	205,000
Total assets	\$ 45,359,000	\$ 205,000	\$ -	\$ 45,564,000

Interest Rate Swaps

The interest rate swap agreements are measured by alternative pricing sources with reasonable levels of price transparency in markets that are not active. Based on the complex nature of interest rate swap agreements, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do, however, have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair market value. These characteristics classify interest rate swap agreements as a Level 2 input.

Investments

Investments whose values are based on quoted market prices in active markets are classified as Level 1 inputs using a market approach. These investments primarily are money market funds and certificates of deposit (cash and cash equivalents) and fixed income and equity mutual funds.

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE O - NATURAL AND FUNCTIONAL CLASSIFICATION OF EXPENSES

Natural expenses, including salaries, employee benefits and taxes, utilities, insurance, depreciation and amortization, attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

Functional expenses by natural classification as of February 28, 2026:

	Program Services					Support Services				Total Expenses
	Animal Care	Education and Conservation	Exhibit and Garden Care	Guest and Member Services	Program Total	Management and Administration	Fundraising and Development	Marketing and Advertising	Support Total	
Salaries, employee benefits and taxes	\$ 8,671,000	\$ 1,804,000	\$ 5,285,000	\$ 3,344,000	\$ 19,104,000	\$ 2,460,000	\$ 2,134,000	\$ 581,000	\$ 5,175,000	\$ 24,279,000
Professional fees and contract services	87,000	46,000	1,360,000	891,000	2,384,000	2,268,000	410,000	270,000	2,948,000	5,332,000
Occupancy, utilities and maintenance	197,000	83,000	2,265,000	2,898,000	5,443,000	464,000	52,000	51,000	567,000	6,010,000
Supplies, travel and other	568,000	95,000	860,000	2,120,000	3,643,000	656,000	509,000	63,000	1,228,000	4,871,000
Advertising and promotion	9,000	31,000	9,000	586,000	635,000	15,000	67,000	1,079,000	1,161,000	1,796,000
Animal nutrition	567,000	-	-	-	567,000	-	-	1,000	1,000	568,000
Grants to other organizations	-	185,000	-	-	185,000	-	-	-	-	185,000
Depreciation and amortization	337,000	86,000	3,890,000	1,153,000	5,466,000	130,000	2,000	2,000	134,000	5,600,000
Interest	-	-	270,000	-	270,000	307,000	-	-	307,000	577,000
Total operating expenses	<u>\$ 10,436,000</u>	<u>\$ 2,330,000</u>	<u>\$ 13,939,000</u>	<u>\$ 10,992,000</u>	<u>\$ 37,697,000</u>	<u>\$ 6,300,000</u>	<u>\$ 3,174,000</u>	<u>\$ 2,047,000</u>	<u>\$ 11,521,000</u>	<u>\$ 49,218,000</u>

Functional expenses by natural classification as of February 28, 2025:

	Program Services					Support Services				Total Expenses
	Animal Care	Education and Conservation	Exhibit and Garden Care	Guest and Member Services	Program Total	Management and Administration	Fundraising and Development	Marketing and Advertising	Support Total	
Salaries, employee benefits and taxes	\$ 7,642,000	\$ 1,430,000	\$ 4,244,000	\$ 3,252,000	\$ 16,568,000	\$ 3,274,000	\$ 2,144,000	\$ 498,000	\$ 5,916,000	\$ 22,484,000
Professional fees and contract services	80,000	39,000	787,000	799,000	1,705,000	1,499,000	497,000	322,000	2,318,000	4,023,000
Occupancy, utilities and maintenance	570,000	184,000	3,065,000	3,528,000	7,347,000	386,000	151,000	101,000	638,000	7,985,000
Supplies, travel and other	247,000	331,000	126,000	535,000	1,239,000	437,000	348,000	68,000	853,000	2,092,000
Advertising and promotion	2,000	1,000	5,000	645,000	653,000	-	89,000	1,058,000	1,147,000	1,800,000
Animal nutrition	541,000	-	-	-	541,000	-	-	-	-	541,000
Grants to other organizations	135,000	235,000	-	-	370,000	-	-	-	-	370,000
Depreciation and amortization	333,000	58,000	3,632,000	971,000	4,994,000	218,000	9,000	9,000	236,000	5,230,000
Interest	-	-	30,000	-	30,000	374,000	-	-	374,000	404,000
Total operating expenses	<u>\$ 9,550,000</u>	<u>\$ 2,278,000</u>	<u>\$ 11,889,000</u>	<u>\$ 9,730,000</u>	<u>\$ 33,447,000</u>	<u>\$ 6,188,000</u>	<u>\$ 3,238,000</u>	<u>\$ 2,056,000</u>	<u>\$ 11,482,000</u>	<u>\$ 44,929,000</u>

The Zoological Society of Philadelphia
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 28, 2026 and 2025

NOTE P - RELATED PARTY TRANSACTIONS

During the normal course of business, the Zoo purchases various supplies and services from companies associated with Board members and key employees, which approximated \$822,000 and \$777,000 for the years ended February 28, 2026 and 2025, respectively. In addition, the Zoo receives sponsorships from companies associated with Board members, which approximated \$300,000 and \$310,000 for the years ended February 28, 2026 and 2025, respectively.

The Zoo also records revenue related to pledges from Board members. As of February 28, 2026 and 2025, revenue received from Board members approximated \$1,678,000 and \$2,954,000, respectively, and pledges receivable from Board members approximated \$2,600,000 and \$3,218,000, respectively.

NOTE Q - SUBSEQUENT EVENTS

The Zoo evaluated its February 28, 2026 financial statements for subsequent events through September 25, 2026, the date the financial statements were available to be issued. There were no subsequent events which would require recognition or disclosure in the financial statements.