



**THE NORTH CAROLINA ZOOLOGICAL  
SOCIETY, INC.**

FINANCIAL STATEMENTS AND  
ACCOMPANYING INFORMATION

*As of and for the Years Ended December 31, 2016  
and 2015*

*And Report of Independent Auditor*

# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

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**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**

**Organization and Business**

As of December 31, 2016

**STATE OF INCORPORATION**

North Carolina

**MAIN FACILITY**

Asheboro, North Carolina

**DIRECTORS**

Richard W. Carroll  
Nicole A. Crawford  
William E. Currens, Jr.  
Sumner S. Finch  
Michael J. Fisher  
Minor T. Hinson  
Jim M. Klingler  
Marjorie M. Rankin

Scott E. Reed  
David K. Robb  
John L. Ruffin  
Barry C. Safrit  
Margery J. Springer  
Kent A. Varner  
Don F. Wellington  
Sydnor M. White, Jr.  
Charles M. Winston, Jr.

**OFFICERS**

Sydnor M. White, Jr.  
Nicole A. Crawford  
William E. Currens, Jr.  
Marjorie M. Rankin

Chair  
Vice Chair  
Treasurer  
Secretary

Cheryl C. Turner  
Susan W. Kluttz  
Scott E. Reed

Executive Director  
Secretary N.C.D.N.C.R  
Chair NC Zoological  
Park Council

## **Report of Independent Auditor**

The Board of Directors  
The North Carolina Zoological Society, Inc.  
Asheboro, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The North Carolina Zoological Society, Inc., a nonprofit organization (the "Society") which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Zoological Society, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with GAAP.

**Report on Accompanying Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Accompanying Information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Cherry Bebaert LLP*

Asheboro, North Carolina  
March 28, 2017

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,752,274	\$ 1,486,902
Investments	16,055,115	14,527,548
Beneficial interest in trust	92,377	96,205
Pledges receivable	263,415	419,265
Accounts receivable	45,282	71,300
Beneficial interest in charitable lead trust	1,055,456	1,120,473
Inventory	241,352	305,898
Prepaid expenses	56,510	77,202
Cash surrender value of life insurance	4,061	4,227
Property and equipment, net of accumulated depreciation	3,420,844	3,121,766
Land available for sale	23,200	93,700
	<u>23,009,886</u>	<u>21,324,486</u>
<b>Total assets</b>	<b>\$ 23,009,886</b>	<b>\$ 21,324,486</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 293,046	\$ 182,126
Liability under agency relationship	1,079,206	1,154,095
Liability under unitrust agreement	1,013,406	1,036,154
Note payable	2,017,500	717,500
	<u>4,403,158</u>	<u>3,089,875</u>
<b>Total liabilities</b>	<b>4,403,158</b>	<b>3,089,875</b>
Net assets		
Unrestricted		
Board/Donor designated endowment	165,376	100,101
Board designated reserves	11,441,556	11,284,777
Undesignated	419,060	1,407,159
Total unrestricted	<u>12,025,992</u>	<u>12,792,037</u>
Temporarily restricted	4,033,755	4,080,626
Permanently restricted	2,546,981	1,361,948
	<u>18,606,728</u>	<u>18,234,611</u>
<b>Total net assets</b>	<b>18,606,728</b>	<b>18,234,611</b>
<b>Total liabilities and net assets</b>	<b>\$ 23,009,886</b>	<b>\$ 21,324,486</b>

The accompanying notes to the financial statements are an integral part of this statement.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEARS ENDED DECEMBER 31, 2016 AND 2015

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support, revenues, and reclassifications</b>								
Contributions, grants and special projects	\$ 878,635	\$ 999,428	\$ 1,150,744	\$ 3,028,807	\$ 879,152	\$ 1,689,101	\$ 265,454	\$ 2,833,707
Membership dues	2,178,348	37,580	-	2,215,928	1,990,162	35,280	-	2,025,442
Gift shop revenue, net of total direct costs of \$1,507,117 (\$1,380,189 in 2015)	1,073,957	90,568		1,164,525	788,634	63,993	-	852,627
Investment income	260,788	40,801	331	301,920	331,081	46,304	351	377,736
Net unrealized and realized gains (losses)	487,648	43,579	33,958	565,185	(627,439)	(45,276)	(42,153)	(714,868)
Change in value of unitrust	-	10,454	-	10,454	-	(64,205)		(64,205)
Gain on disposal of property and equipment	92,061	-	-	92,061	-	-	-	-
Decline in value and expenses of property held for resale	(6,496)	-	-	(6,496)	(142,546)	-	-	(142,546)
Net assets released from restrictions								
Satisfaction of purpose and time restrictions	1,269,281	(1,269,281)	-	-	1,923,555	(1,923,555)	-	-
<b>Total public support, revenues and reclassifications</b>	<b>6,234,222</b>	<b>(46,871)</b>	<b>1,185,033</b>	<b>7,372,384</b>	<b>5,142,599</b>	<b>(198,358)</b>	<b>223,652</b>	<b>5,167,893</b>
<b>Expenses</b>								
Program services								
Program support	5,207,756	-	-	5,207,756	4,291,065	-	-	4,291,065
Membership services	1,009,742	-	-	1,009,742	943,180	-	-	943,180
Special projects	38,530	-	-	38,530	46,518	-	-	46,518
<b>Total program services</b>	<b>6,256,028</b>	<b>-</b>	<b>-</b>	<b>6,256,028</b>	<b>5,280,763</b>	<b>-</b>	<b>-</b>	<b>5,280,763</b>
Supporting services								
Management and general	121,494	-	-	121,494	107,923	-	-	107,923
Special projects - other	250,836	-	-	250,836	216,586	-	-	216,586
Fundraising	371,909	-	-	371,909	393,206	-	-	393,206
<b>Total expenses</b>	<b>7,000,267</b>	<b>-</b>	<b>-</b>	<b>7,000,267</b>	<b>5,998,478</b>	<b>-</b>	<b>-</b>	<b>5,998,478</b>
<b>Change in net assets</b>	<b>(766,045)</b>	<b>(46,871)</b>	<b>1,185,033</b>	<b>372,117</b>	<b>(855,879)</b>	<b>(198,358)</b>	<b>223,652</b>	<b>(830,585)</b>
Net assets, beginning of year	12,792,037	4,080,626	1,361,948	18,234,611	13,647,916	4,278,984	1,138,296	19,065,196
Net assets, end of year	<u>\$ 12,025,992</u>	<u>\$ 4,033,755</u>	<u>\$ 2,546,981</u>	<u>\$ 18,606,728</u>	<u>\$ 12,792,037</u>	<u>\$ 4,080,626</u>	<u>\$ 1,361,948</u>	<u>\$ 18,234,611</u>

The accompanying notes to the financial statements are an integral part of this statement.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 372,117	\$ (830,585)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Decline in value of property held for resale	-	136,250
Depreciation expense	90,876	91,278
Loss on disposal of land available for sale	500	-
Gain on disposal of property and equipment	(92,061)	-
Donation of equipment	22,241	-
Donation of real estate	1,198,000	-
Net unrealized and realized (gain) loss on investments	(565,185)	714,868
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	26,018	7,286
(Increase) decrease in pledges receivable	155,850	(113,666)
(Increase) decrease in beneficial interest in charitable lead trust	65,017	63,362
(Increase) decrease in inventory	64,546	(17,486)
(Increase) decrease in other assets	20,858	(7,730)
Increase (decrease) in accounts payable and accrued expenses	110,920	(83,634)
Increase (decrease) in liability under agency relationship	(74,889)	(43,196)
Increase (decrease) in liability under unitrust agreement	(22,748)	55,133
Net cash provided by (used in) operating activities	<u>1,372,060</u>	<u>(28,120)</u>
<b>Cash flows from investing activities</b>		
Purchases of land and property and equipment	(1,518,134)	(104,519)
Proceeds from sale of land available for sale	70,000	60,000
Net (increase) decrease in investments	<u>(958,554)</u>	<u>437,079</u>
Net cash provided by (used in) investing activities	<u>(2,406,688)</u>	<u>392,560</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	<u>1,300,000</u>	<u>-</u>
Net increase in cash and cash equivalents	265,372	364,440
Cash and cash equivalents at beginning of year	<u>1,486,902</u>	<u>1,122,462</u>
Cash and cash equivalents at end of year	<u>\$ 1,752,274</u>	<u>\$ 1,486,902</u>
<b>Supplemental information</b>		
Interest paid	<u>\$ 40,165</u>	<u>\$ 13,737</u>

The accompanying notes to the financial statements are an integral part of this statement.



# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### Note 1—Summary of significant accounting policies

*Nature of Activities* – The North Carolina Zoological Society, Inc. (the “Society”) encourages public support primarily for the North Carolina Zoological Park (the “Park”), a state operated facility, and promotes related educational, scientific and conservation activities. The Society is supported primarily through memberships and donor contributions. Gift shop revenue is one of the means of raising support for the Society and it has an agreement with the Park whereby all net profits are transferred to the Park as a part of Program Support.

*Program Support* – Program Support includes capital projects, field conservation and animal welfare programs, animal and horticultural purchases and general operational needs. In July of 2016, the Society also supported the Park with the noncash donation of real estate for the fair value of \$1,198,000. The Society borrowed \$1,300,000 (see note 9) in January of 2016 to purchase real estate for the Park (\$1,104,178) and the Society (\$200,466). The \$93,822 gain on the donation of real estate to the Park is included on the Statement of Activities under gain on disposal of property and equipment.

*Basis of Accounting* – The financial statements of the Society have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Basis of Presentation* – As required by the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

*Promises to Give* – Contributions are recognized when the donor makes a promise to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Society uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises to give.

*Temporarily Restricted Contributions – Grants* – Temporarily restricted contributions include a number of grants in addition to donor-restricted contributions. These grants totaled \$586,946 and \$1,030,913 during the years ended December 31, 2016 and 2015, respectively.

*In-kind Donated Materials, Services and Facilities* – Donated materials, specialized services and facilities received by the Society are reflected as both contributions and expenses in the accompanying statements at their estimated fair market value at the time of receipt.

The Park provides office and gift shop facilities for the Society at no charge. For the years ended December 31, 2016 and 2015, in-kind support in the amount of \$59,312 for both years was recognized in the statements of activities for the use of these facilities, respectively.

*Cash and Cash Equivalents* – For purposes of the statement of cash flows, the Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Investments* – The Society carries investments at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

*Inventories* – Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Inventories consist of items available for sale in the Society’s gift shops.

# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### Note 1—Summary of significant accounting policies (continued)

*Property and Equipment* – Property and equipment is carried at cost or, if donated, at the approximate fair market value at the date of donation. The Society capitalizes all property and equipment items costing over \$500. If the donor stipulates how long the asset must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	15 years
Buildings and improvements	10-40 years
Furniture and equipment	5-10 years
Automobiles	5-10 years
Leasehold improvements	5-40 years

*Income Taxes* – The Society is a not-for-profit organization other than a private foundation that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Society received an original tax determination letter dated March 30, 1971 and an updated letter dated March 21, 2008. Accordingly, the accompanying financial statements do not include a provision for income taxes.

*Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates and assumptions are used for, but not limited to the allowance for uncollectible contributions, discount to net present value for pledges receivable, depreciable lives of fixed assets, cost allocations among functional expenses, and value for in-kind donated materials and services. The value for in-kind donated materials and services is considered a significant revenue that requires management estimates and is summarized in Note 14. The other estimates did not have a significant impact on the current year financial statements.

*Fair Value Measurement* – The Fair Value Measurement and Disclosure Topic of the FASB ASC, defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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### **Note 1—Summary of significant accounting policies (continued)**

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

*Money Market Funds* – These investments are public investment vehicles valued using \$1 for the NAV. The money market funds are classified within Level 2 of the valuation hierarchy.

*Domestic and International Equities* – These investments are valued at the closing price reported on the New York Stock Exchange Composite Listing and are classified within Level 1 of the valuation hierarchy.

*Real Asset Funds* – Consists of mutual funds invested in real estate and natural resources listed on national markets or exchanges and are valued at the last sales price, or if there is no sale and the market is considered active, then at the mean of the last bid and asked prices on such exchange and are classified within Level 1 of the valuation hierarchy.

*Fixed Income - Bonds* – These investments are priced daily via listed exchanges and are classified within Level 2 of the valuation hierarchy.

*Fixed Income - Mutual Funds* – These investments are public investment vehicles valued using the Net Asset Value (“NAV”) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

*Beneficial Interest In Trust* – The beneficial interest represents interest held in pooled investment funds and are classified within Level 3 of the valuation hierarchy.

### **Note 2—Deposits**

The Society places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2016 for certain qualifying and participating non-interest bearing transaction accounts. A portion of the funds held by one institution that are in excess of the FDIC coverage are collateralized with securities acceptable to the Office of the Comptroller of the Currency. The Society from time to time may have amounts on deposit in excess of the insured or collateralized limits. As of December 31, 2016 and 2015, the Society had \$1,021,929 and \$1,046,745, respectively, which exceeded these insured or collateralized amounts.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 3—Investments**

The Society's investments consisted of the following, which were recorded at fair market value:

	December 31, 2016			December 31, 2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<b>General</b>						
U.S. Government obligations	\$ 718,184	\$ 709,559	\$ (8,625)	\$ 856,594	\$ 845,641	\$ (10,953)
Marketable corporate securities	5,399,101	5,809,894	410,793	5,194,691	5,201,645	6,954
Other complementary strategies	580,352	575,091	(5,261)	422,262	413,943	(8,319)
Real asset funds	330,433	340,421	9,988	436,175	414,929	(21,246)
Stock and bond mutual funds	4,069,235	4,046,605	(22,630)	4,560,971	4,333,398	(227,573)
	<u>11,097,305</u>	<u>11,481,570</u>	<u>384,265</u>	<u>11,470,693</u>	<u>11,209,556</u>	<u>(261,137)</u>
<b>Investments held in Trust</b>						
Money market funds	129,815	129,815	-	109,299	109,299	-
Marketable corporate securities	202,880	499,225	296,345	202,950	471,311	268,361
Stock and bond mutual funds	638,018	632,412	(5,606)	719,810	693,137	(26,673)
	<u>970,713</u>	<u>1,261,452</u>	<u>290,739</u>	<u>1,032,059</u>	<u>1,273,747</u>	<u>241,688</u>
<b>Endowments</b>						
U.S. Government obligations	425,233	420,127	(5,106)	281,392	277,794	(3,598)
Marketable corporate securities	1,617,786	1,738,430	120,644	1,037,884	1,046,576	8,692
Real asset funds	195,647	201,561	5,914	143,284	136,304	(6,980)
Other complementary strategies	343,623	340,509	(3,114)	138,713	135,981	(2,732)
Stock and bond mutual funds	621,983	611,466	(10,517)	473,663	447,590	(26,073)
	<u>3,204,272</u>	<u>3,312,093</u>	<u>107,821</u>	<u>2,074,936</u>	<u>2,044,245</u>	<u>(30,691)</u>
	<u>\$ 15,272,290</u>	<u>\$ 16,055,115</u>	<u>\$ 782,825</u>	<u>\$ 14,577,688</u>	<u>\$ 14,527,548</u>	<u>\$ (50,140)</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31:

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	\$ 260,788	\$ 40,801	\$ 331	\$ 301,920	\$ 331,081	\$ 46,304	\$ 351	\$ 377,736
Realized and unrealized gain (loss)	487,648	43,579	33,958	565,185	(627,439)	(45,276)	(42,153)	(714,868)
	<u>\$ 748,436</u>	<u>\$ 84,380</u>	<u>\$ 34,289</u>	<u>\$ 867,105</u>	<u>\$ (296,358)</u>	<u>\$ 1,028</u>	<u>\$ (41,802)</u>	<u>\$ (337,132)</u>

Investment income from regular investments and endowments for 2016 is net of \$49,870 and \$11,958 in administrative fees, respectively. Investment income from regular investments and endowments for 2015 is net of \$59,863 and \$9,314 in administrative fees, respectively.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 3—Investments (continued)**

**Fair Value of Financial Investments, Carried at Fair Value**

See “Fair Value Measurement” in Note 1 above for discussions of the methodologies and assumptions used to determine the fair value of the Society’s investments.

Below are the Society’s financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels described in Note 1.

	<b>As of December 31, 2016</b>			
	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
Assets				
Money market funds	\$ -	\$ 884,252	\$ -	\$ 884,252
Domestic and international equities	8,047,549	-	-	8,047,549
Real asset funds	541,982	-	-	541,982
Fixed income - bonds	-	1,881,328	-	1,881,328
Fixed income - mutual funds	5,454,440	-	-	5,454,440
Beneficial interest in trust	-	-	92,377	92,377
	<u>\$ 14,043,971</u>	<u>\$ 2,765,580</u>	<u>\$ 92,377</u>	<u>\$ 16,901,928</u>
	<b>As of December 31, 2015</b>			
	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
Assets				
Money market funds	\$ -	\$ 1,130,366	\$ -	\$ 1,130,366
Domestic and international equities	6,719,532	-	-	6,719,532
Real asset funds	551,234	-	-	551,234
Fixed income - bonds	-	1,855,555	-	1,855,555
Fixed income - mutual funds	5,291,929	-	-	5,291,929
Beneficial interest in trust	-	-	96,205	96,205
	<u>\$ 12,562,695</u>	<u>\$ 2,985,921</u>	<u>\$ 96,205</u>	<u>\$ 15,644,821</u>

The changes in the beneficial interest in trust in Note 4 presents a reconciliation of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2016 and 2015.

During the years ended December 31, 2016 and 2015, there were no significant transfers between levels.

All assets have been valued using a market approach. There were no changes in the valuation techniques during the current or prior year.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 3—Investments (continued)**

Below is a reconciliation of fair value of investments to the Statements of Financial Position:

	<u>2016</u>	<u>2015</u>
Beneficial interest in trust	\$ 92,377	\$ 96,205
Included in cash and cash equivalents	754,436	1,021,068
Investments	<u>16,055,115</u>	<u>14,527,548</u>
	<u>\$ 16,901,928</u>	<u>\$ 15,644,821</u>

**Note 4—Beneficial interest in trust**

The beneficial interest in trust is held at the Foundation for the Carolinas (“Foundation”) and is invested in pooled funds of primarily common stock equities, fixed income investments, real assets, and hedge funds, which are subject to fluctuations in market values and expose the Society to a certain degree of interest and credit risk.

Management of the Society receives the estimate of fair value of these investments from the Foundation and relies on various factors, processes and procedures to determine if the estimate of value is reasonable. However, information used by the Foundation and by management is subject to change in the near term, and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the financial statements.

The fair value and changes in the beneficial interest in trust (Level 3) was as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Beginning fair value	\$ 96,205	\$ 101,368
Net investment earnings gain/(loss)	5,192	(2,512)
Fees	(750)	(1,003)
Distributions	<u>(8,270)</u>	<u>(1,648)</u>
Ending fair value	<u>\$ 92,377</u>	<u>\$ 96,205</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 5—Pledges receivable**

Pledges receivable consisted of the following:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Membership pledges	\$ 64,554	\$ 66,305
Other pledges	225,746	379,845
Gross pledges receivable	290,300	446,150
Less discount to net present value	(8,885)	(8,885)
Less allowance for uncollectible contributions	(18,000)	(18,000)
Net pledges receivable	<u>\$ 263,415</u>	<u>\$ 419,265</u>

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Amounts due in		
Less than one year	\$ 133,342	\$ 231,202
One to five years	156,958	214,948
	<u>\$ 290,300</u>	<u>\$ 446,150</u>

Pledges receivable that are due beyond one year are discounted to their estimated net present value. The discount rate is selected at the inception of the pledge receivable and based on a rate of return for risk-free investments covering a similar period of time. The discount rates at both December 31, 2016 and 2015 was 2%.

**Note 6—Split interest agreements**

*Charitable remainder trust – Society as trustee*

The Society administers, as trustee, a charitable remainder trust established during 2004. The charitable remainder trust provides for the payment of distributions to the grantor over the donor's life expectancy, which is the trust's term. At the end of the trust's term, the remaining assets are available for the Society's use. The portion of the trust attributable to the present value of the future benefits to be received by the Society is recorded in the statements of activities as a temporarily restricted contribution in the period that the trust is established or when additional gifts are made by the donors. Assets held in the charitable remainder trust totaled \$1,261,452 and \$1,273,747 at December 31, 2016 and 2015, respectively, and were reported at fair market value in the Society's statements of financial position. On an annual basis, the Society revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The agreement provides for distributions to the grantors of an amount equal to 8% of the net fair market value of the Trust assets valued at the beginning of each taxable year. The present value of the estimated future payments (\$1,013,406 and \$1,036,154 at December 31, 2016 and 2015, respectively) is calculated using a discount rate of 5% and applicable mortality tables. There were no gifts to the trust during 2016. The total gifts to the trust during 2015 were \$100,000 resulting in contribution revenue of \$27,268 and an increase of \$72,732 in the Society's liability under the unitrust agreement.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 6—Split interest agreements (continued)**

*Charitable lead trust*

During 2009, a donor established a trust with a bank naming the Society as the lead beneficiary of a charitable lead trust for the ultimate benefit of Sylvan Heights Waterfowl Park and Eco-Center, Inc. (“Sylvan Heights”) thus establishing an agency relationship. Under terms of the split-interest agreement, the Society is to receive an annual distribution of \$110,327 for its restricted use for a period of twenty years. At the end of the trust’s term, the remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which the Society has estimated based on the present value of its expected future cash inflows. Based on the terms of the agreement and a 4% discount rate, the fair value of the Society’s interest in the trust is recorded as a liability under agency relationship and as a receivable - beneficial interest in charitable lead trust. The Society received \$110,327 from the trust in 2016 and 2015, which were recorded as reductions in the receivable and liability under an agency relationship. On an annual basis, the Society revalues the contribution receivable equal to the interest portion of the annual distribution. The change in the value of the split-interest agreement is recorded as an increase in its beneficial interest in the trust and liability under an agency relationship. The amounts were \$45,310 and \$46,965 in 2016 and 2015, respectively.

	December 31	
	2016	2015
<b>Beneficial interest in charitable lead trust</b>		
Beginning of year	\$ 1,120,473	\$ 1,183,835
Change in value	45,310	46,965
Payment from charitable lead trust	(110,327)	(110,327)
End of year	<u>\$ 1,055,456</u>	<u>\$ 1,120,473</u>

*Charitable remainder trust - other*

The Society was notified in prior years that three trusts named the Society as a beneficiary of charitable remainder trusts established by donors. A charitable remainder trust provides for the payment of distributions to the grantor over the donor’s life expectancy, which is the trust’s term. At the end of the trust’s term, the remaining assets will be distributed for the Society’s use. A portion of the trust attributed to the present value of the future benefits to be received by the Society is recorded in the statements of activities as a temporarily restricted contribution and in the statements of financial position as a contribution receivable from the charitable remainder trust. The present value of the estimated future payment was calculated using a discount rate of 5% for the trust recorded in 2006 and 2% for the two trusts recorded in 2010. The Society has recognized \$29,804, \$40,766 and \$27,157 as its interest in these three unitrusts through December 31, 2016.



**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 7—Property and equipment**

A summary of property and equipment was as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Land improvements	\$ 7,564	\$ 7,564
Land	2,418,139	2,031,985
Buildings and improvements	1,236,342	1,236,342
Fixtures and equipment - gift shops	108,858	143,417
Furniture and equipment - office	228,152	223,940
Automobiles	128,452	128,452
Leasehold improvements	113,595	93,333
	<u>4,241,102</u>	<u>3,865,033</u>
Less accumulated depreciation	820,258	743,267
	<u>\$ 3,420,844</u>	<u>\$ 3,121,766</u>

**Note 8—Decline in value of property held for resale**

The Society owns various parcels of land that were previously donated and valued at the estimated fair market value at the time of the gift. Based on recent appraisals or subsequent sales, the Society recognized declines in value as follows:

<b><u>Land Available for Sale</u></b>	<b>2016</b>	<b>2015</b>
Beginning balance	\$ 93,700	\$ 289,950
Decline in value of land available for sale	-	(136,250)
Property sold	(70,500)	(60,000)
Ending balance	<u>\$ 23,200</u>	<u>\$ 93,700</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 9—Note payable**

Note payable consisted of the following:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Promissory note dated November 21, 2015 which allows the Society to borrow up to \$2,017,500. This note refinances the previous note which had substantially similar terms with a principal balance of \$717,500. The note is payable in 35 monthly payments of interest only with all principal and unpaid accrued interest due November 5, 2018. The interest rate is the LIBOR rate plus 1.5% (2.25% at December 31, 2016). The loan is collateralized by investments held in an account at the same financial institution. At December 31, 2016, funds in that account totaled \$6,603,113. The Society may withdraw funds from the account, provided there are no loan defaults and as long as the market value of the account equals or exceeds 133% of the outstanding balance of the loan.	<u>\$ 2,017,500</u>	<u>\$ 717,500</u>

Maturities of debt were as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2018	<u>\$ 2,017,500</u>

**Note 10—Unrestricted net assets**

Unrestricted net assets – net assets not subject to donor-imposed restrictions and are available for use by the Society at the discretion of the Board of Directors. The Society’s policy is to report revenues, gains, and other support that are limited to specific uses by donor-imposed restrictions as increases in unrestricted net assets when the restrictions are met in the same reporting period as the income recognized.

For internal management and recordkeeping, the Society classifies unrestricted net assets as follows:

- Undesignated – Funds for ongoing operational support, provided by members and donors, which give the Society the flexibility to respond quickly to emerging needs and shifting priorities.
- Board and Donor designated endowment – Donor provided funds that generate income for ongoing Park support while keeping the principal investment intact.
- Board designated reserves – Reserves set aside by the Board for the Zoo’s current and future needs which are reviewed annually. See Note 13 for details of Board-designated reserves.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 11—Temporarily restricted net assets**

Temporarily restricted support consists of contributions and proceeds of special projects, which are specified by donors for particular purposes. Certain temporarily restricted support consists of contributions to be received in the future from trust arrangements which carry an implied time restriction. Amounts which have not been expended at year end remain classified as temporarily restricted net assets. The following amounts were available for restricted purposes:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Purpose restrictions</u>		
Animal welfare and initiatives	\$ 78,742	\$ 81,753
Conservation programs and initiatives	1,029,522	1,170,522
Design programs and initiatives	234,841	261,246
Education programs and initiatives	46,620	35,279
Horticulture programs and initiatives	43,855	37,905
Planning and facilities	827,211	911,801
Undistributed endowment gains	39,024	36,809
Veterinary programs and initiatives	1,363,740	1,203,697
Zoo visitor growth and awareness	23,406	1,074
Total purpose restrictions	<u>3,686,961</u>	<u>3,740,086</u>
<u>Time restrictions</u>		
Graham charitable remainder trust	249,071	238,617
Haggard charitable remainder trusts	67,919	72,092
Peters charitable remainder trust	29,804	29,831
Total time restrictions	<u>346,794</u>	<u>340,540</u>
Total temporarily restricted net assets	<u>\$ 4,033,755</u>	<u>\$ 4,080,626</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 12—Permanently restricted net assets**

Permanently restricted net assets consist of endowment fund investments to be held indefinitely. The income from certain endowments is restricted to support conservation and zoological programs while others are unrestricted. The following was a summary of the endowments:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Bryan Family Foundation Endowment - Gains and losses on investments remain with principal; investment income is restricted for conservation projects. Invested with a bank trust department.	\$ 68,491	\$ 66,042
Chadwell Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,000	1,000
Cato-Goodyear Endowment - All income including gains and losses on long-term investments are restricted for animal environmental and behavioral projects. Invested with a bank trust department.	11,167	11,167
Conservation Endowment - Gains and losses on investments remain with principal; investment income is restricted for conservation projects. Invested with a bank trust department.	106,558	102,150
Jane Craig Hanes Endowment - Gains and losses on investments remain with principal; investment income is restricted for projects. Invested with a bank trust department.	834,781	771,668
Jason Zwerin Endowment - All income including gains and losses on long-term investments are restricted for animal related projects. Invested with the Foundation for the Carolinas.	18,075	18,075
Layne Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,000	1,000
Nina Belle Redditt Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	210,846	210,846
Sloan Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,270,063	155,000
Warner Atkins Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with the Foundation for the Carolinas.	25,000	25,000
	<u>\$ 2,546,981</u>	<u>\$ 1,361,948</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 13—Board-designated unrestricted net assets**

The Board of Directors has designated unrestricted net assets for the following purposes as of December 31:

	<u>2016</u>	<u>2015</u>
Animal welfare and enrichment	\$ 55,095	\$ 61,705
Conservation programs and initiatives	181,734	151,345
Design programs and initiatives	10,762	2,989
Education programs and initiatives	83,047	52,706
Emergency reserve	800,930	762,520
Horticulture programs and initiatives	83,252	80,212
Lion's Pride	9,336,474	9,176,386
Planning and facilities	412,540	500,559
Professional services	6,926	6,987
Veterinary programs and initiatives	28,000	34,769
Zoo visitor growth and awareness	224,764	322,455
Zoo personnel, supplements, travel and training	218,032	132,144
	<u>\$ 11,441,556</u>	<u>\$ 11,284,777</u>

The Society has committed \$2,017,500 from Lion's Pride net assets for repayment of the remaining balance of long-term debt for the purchase of land.

**Note 14—In-kind donated materials, land and services**

The value of donated materials, land, and services included in the financial statements was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Program support	\$ 3,390	\$ 15,187
Utilized by the Society		
Management and general	103,999	94,712
Special projects (Zoo to Do and Kidz Palooza)	17,845	28,875
	<u>\$ 125,234</u>	<u>\$ 138,774</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

*DECEMBER 31, 2016 AND 2015*

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**Note 15—Operating leases**

The Society has two noncancelable operating leases for office equipment. Rental expense for leases consisted of \$6,804 and \$9,080 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments under the operating leases as of December 31, 2016 were as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 6,804
2018	6,804
2019	1,824
	<u>\$ 15,432</u>

**Note 16—Retirement plan**

The Society participates in a Defined Contribution Prototype Pension Plan administered by Branch Banking & Trust Company. Employees who work 1,000 hours or more in a year and over the age of 21 are eligible to participate. The Plan provides for a discretionary match. The Society, during 2016 and 2015, contributed 5% of eligible employees' compensation to the Plan. In addition, there is a 50% employer match contribution on employee contributions up to 4% of their salary. Participants are fully vested after 6 years of service. Forfeitures are used to reduce employer contributions. Loans are not permitted. The cost of the plan for 2016 and 2015 was \$74,642 and \$71,909, respectively.

**Note 17—Related party transactions**

Included in accounts payable and accrued expenses as of December 31, 2016 and 2015 were \$23,817 and \$39,429 due to related parties, including \$23,369 and \$38,995, respectively, due to the North Carolina Zoological Park.

**Note 18—Endowment funds**

The Society's endowments consist of 12 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with the endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 18—Endowment funds (continued)**

**Interpretation of relevant law**

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

**Return objectives, risk parameters and strategies**

The Society has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending policy**

The Society follows policies established with the donor in calculating the annual distribution. In establishing these policies, the Society takes into consideration the donor’s expectations for the long-term return on the investment assets, the nature and duration of the endowment funds, and the possible effects of inflation. This is consistent with the Society’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

**Endowment Net Asset Composition by Type of Fund as of December 31, 2016 was as follows:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 39,201	\$ 500,000	\$ -	\$ 539,201
Donor-restricted endowment funds	126,175	363,019	2,546,981	3,036,175
Total funds	<u>\$ 165,376</u>	<u>\$ 863,019</u>	<u>\$ 2,546,981</u>	<u>\$ 3,575,376</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 18—Endowment funds (continued)**

**Endowment Net Asset Composition by Type of Fund as of December 31, 2015 was as follows:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 41,461	\$ 500,000	\$ -	\$ 541,461
Donor-restricted endowment funds	58,640	300,491	1,361,948	1,721,079
Total funds	<u>\$ 100,101</u>	<u>\$ 800,491</u>	<u>\$ 1,361,948</u>	<u>\$ 2,262,540</u>

**Changes in Endowment Net Assets as of December 31, 2016 were as follows:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 100,101	\$ 800,491	\$ 1,361,948	\$ 2,262,540
Contributions	-	-	1,150,744	1,150,744
Investment income	30,882	21,320	331	52,533
Net appreciation (depreciation) - realized and unrealized	40,292	43,579	33,958	117,829
Amounts appropriated for expenditures	<u>(5,899)</u>	<u>(2,371)</u>	<u>-</u>	<u>(8,270)</u>
Endowment net assets, end of year	<u>\$ 165,376</u>	<u>\$ 863,019</u>	<u>\$ 2,546,981</u>	<u>\$ 3,575,376</u>

**Changes in Endowment Net Assets as of December 31, 2015 were as follows:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 103,270	\$ 816,168	\$ 1,138,296	\$ 2,057,734
Contributions	-	-	265,454	265,454
Investment income	16,877	29,599	351	46,827
Net appreciation (depreciation) - realized and unrealized	(18,398)	(45,276)	(42,153)	(105,827)
Amounts appropriated for expenditures	<u>(1,648)</u>	<u>-</u>	<u>-</u>	<u>(1,648)</u>
Endowment net assets, end of year	<u>\$ 100,101</u>	<u>\$ 800,491</u>	<u>\$ 1,361,948</u>	<u>\$ 2,262,540</u>



**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

**Note 19—Contingencies**

Grants awarded to the Society are subject to the funding organization's criteria and contract terms under which expenditures may be charged and are subject to audit under such criteria and terms. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Society could be held responsible for repayments to the funding organization for the costs. Management does not anticipate any material questioned costs for the grants administered during the period. No provision has been made in the accompanying financial statements for the refund of grant funds.

The Society is involved in a claim and lawsuit regarding the title to land that it owns and intends to defend its position vigorously. Management estimates that any possible liability to the Society resulting from such litigation would not have a material adverse effect on the financial position of the Society at December 31, 2016.

**Note 20—Liability under agency relationship**

The Society and Sylvan Heights have an ongoing agency relationship. Contributions and other support that have been received by the Society but not remitted to Sylvan Heights are measured at present value and are reported as liabilities in the financial statements. The portion of the account designated as "beneficial interest in charitable lead trust" represents the present value of expected future cash inflows received by the Society on behalf of Sylvan Heights. The Society recognizes the present value of the expected future cash inflows and an offsetting liability until the trust assets are distributed.

**Agency Transactions as of December 31, 2016 were as follows:**

	<b>Liability Under Agency Relationship December 31, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Liability Under Agency Relationship December 31, 2016</b>
Sylvan Heights	\$ 33,622	\$ 141,421	\$ (151,293)	\$ 23,750
Beneficial Interest in a Charitable Lead Trust	1,120,473	45,310	(110,327)	1,055,456
	<u>\$ 1,154,095</u>	<u>\$ 186,731</u>	<u>\$ (261,620)</u>	<u>\$ 1,079,206</u>

**Agency Transactions as of December 31, 2015 were as follows:**

	<b>Liability Under Agency Relationship December 31, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Liability Under Agency Relationship December 31, 2015</b>
Sylvan Heights	\$ 13,456	\$ 132,122	\$ (111,956)	\$ 33,622
Beneficial Interest in a Charitable Lead Trust	1,183,835	46,965	(110,327)	1,120,473
	<u>\$ 1,197,291</u>	<u>\$ 179,087</u>	<u>\$ (222,283)</u>	<u>\$ 1,154,095</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

*DECEMBER 31, 2016 AND 2015*

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**Note 21—Subsequent events**

The Society has evaluated subsequent events through March 28, 2017, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**

Schedule 1

**SCHEDULES OF UNRESTRICTED CONTRIBUTIONS AND SPECIAL PROJECTS***YEARS ENDED DECEMBER 31, 2016 AND 2015*

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	<u>2016</u>	<u>2015</u>
Contributions	\$ 521,905	\$ 525,771
Membership projects		
Membership discount tickets	116,148	94,802
Travel program	5,500	2,950
Education projects		
Contributions and receipts	111,382	88,149
Other projects		
Combo tickets	2,170	75,987
Learning Center	23,050	19,801
President's Club and Conservator's Circle	79,000	53,500
Miscellaneous	<u>19,480</u>	<u>18,192</u>
Total unrestricted contributions and special projects	<u>\$ 878,635</u>	<u>\$ 879,152</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SCHEDULE OF TEMPORARILY RESTRICTED SUPPORT AND NET ASSETS**

Schedule 2

YEAR ENDED DECEMBER 31, 2016

Description	Temporarily Restricted Net Assets December 31, 2015	Donor Restricted Support	Expenses	Program Support	Other Releases	Total Net Assets Released	Temporarily Restricted Net Assets December 31, 2016
<b><u>Purpose Restrictions</u></b>							
Animal Welfare and Initiatives	\$ 81,753	\$ 51,368	\$ 3,391	\$ 50,987	\$ -	\$ 54,378	\$ 78,743
Conservation Programs and Initiatives	1,170,522	314,872	7,708	262,479	185,687	455,874	1,029,520
Design Programs and Initiatives	261,246	278	-	26,684	-	26,684	234,840
Education Programs and Initiatives	35,279	16,096	964	3,791	-	4,755	46,620
Horticulture Programs and Initiatives	37,905	9,372	599	2,825	-	3,424	43,853
Planning and Facilities	911,801	551,191	103,999	531,778	-	635,777	827,215
Undistributed Endowment Gains	36,809	4,586	2,371	-	-	2,371	39,024
Veterinary Programs and Initiatives	1,203,697	242,377	6,610	75,725	-	82,335	1,363,739
Zoo Visitor Growth and Awareness	1,074	26,016	-	3,683	-	3,683	23,407
<b>Total Purpose Restrictions</b>	<b>3,740,086</b>	<b>1,216,156</b>	<b>125,642</b>	<b>957,952</b>	<b>185,687</b>	<b>1,269,281</b>	<b>3,686,961</b>
<b><u>Time Restrictions</u></b>							
Graham Charitable Remainder Trust	238,617	10,454	-	-	-	-	249,071
Haggard Charitable Remainder Trust (1)	43,474	(2,708)	-	-	-	-	40,766
Haggard Charitable Remainder Trust (2)	28,618	(1,465)	-	-	-	-	27,153
Peters Charitable Remainder Trust	29,831	(27)	-	-	-	-	29,804
<b>Total Time Restrictions</b>	<b>340,540</b>	<b>6,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>346,794</b>
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 4,080,626</b>	<b>\$ 1,222,410</b>	<b>\$ 125,642</b>	<b>\$ 957,952</b>	<b>\$ 185,687</b>	<b>\$ 1,269,281</b>	<b>\$ 4,033,755</b>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SCHEDULES OF REVENUE - GIFT SHOPS, NET OF DIRECT COSTS**

Schedule 3

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Sales		
Gift shop sales	\$ 2,579,413	\$ 2,180,952
Less sales discounts	(68,365)	(77,471)
Net sales	<u>2,511,048</u>	<u>2,103,481</u>
Inventories at beginning of year	305,898	288,412
Purchases	789,682	755,521
	<u>1,095,580</u>	<u>1,043,933</u>
Less inventories at end of year	241,352	305,898
Total cost of sales	<u>854,228</u>	<u>738,035</u>
Gross profit from gift shops	<u>1,656,820</u>	<u>1,365,446</u>
Other operating income		
Rentals	160,594	129,335
Operating expenses		
Bank charges	41,356	36,598
Computer support	3,672	3,431
Depreciation	35,911	36,082
Dues and subscriptions	232	441
Freight-in	37,815	32,209
General insurance	3,928	3,383
Group benefits	99,688	99,414
Liquidation	1,300	-
Loss on damaged goods	5,112	5,500
Miscellaneous	3,586	3,098
Payroll taxes	30,056	30,262
Repairs and maintenance	1,870	2,237
Salaries	351,587	352,571
Supplies	7,765	8,123
Telephone	6,393	7,314
Training/Conferences/Mileage	6,781	5,860
Utilities	5,837	5,631
Warehouse services	10,000	10,000
	<u>652,889</u>	<u>642,154</u>
Total operating expenses		
Net revenue from gift shops	<u>\$ 1,164,525</u>	<u>\$ 852,627</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SUMMARY OF PROGRAM SUPPORT**

Schedule 4

*YEARS ENDED DECEMBER 31, 2016 AND 2015*

	<u>2016</u>	<u>2015</u>
Animal Welfare and Enrichment	\$ 90,162	\$ 203,221
Conservation Programs and Initiatives	375,816	521,448
Design Programs and Initiatives	28,910	54,297
Donation of Real Estate	1,198,000	-
Education Programs and Initiatives	84,832	104,620
Horticulture Programs and Initiatives	39,786	46,302
Park Program Services	295,858	261,849
Planning and Facilities	744,797	1,075,473
Veterinary Programs and Initiatives	140,494	272,959
Zoo Operational Support	1,019,945	742,667
Zoo Personnel, Supplements, Travel and Training	341,548	387,091
Zoo Visitor Growth and Awareness	778,047	527,344
Zoo Welfare Initiatives	69,561	93,794
	<u>\$ 5,207,756</u>	<u>\$ 4,291,065</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SCHEDULES OF PROGRAM SERVICES - MEMBERSHIP EXPENSES**

Schedule 5

*YEARS ENDED DECEMBER 31, 2016 AND 2015*

	<u>2016</u>	<u>2015</u>
Annual report	\$ 3,401	\$ 1,344
Auto expense	374	1,729
Bad debt	3,250	10,976
Bank card charges	26,051	19,820
Computer support	25,670	27,194
Depreciation	24,794	24,938
Donor cultivation	5,065	3,722
Dues and subscriptions	3,789	2,722
General insurance	19,643	17,563
Group benefits	117,902	106,446
Magazine	44,529	42,722
Mailing services	17,882	14,225
Meetings	1,051	726
Membership incentives	2,329	4,407
Miscellaneous	3,307	1,175
Office supplies	7,880	8,195
Payroll taxes	44,540	44,703
Planned giving	3,442	2,858
Postage	18,505	18,703
Printing	16,089	13,003
Professional services	29,350	22,903
Repairs and maintenance	8,267	11,847
Returns/redeposits	266	1,122
Salaries	562,663	523,846
Telephone	10,797	12,117
Training, conferences & travel	8,906	4,174
Total membership expenses	<u>\$ 1,009,742</u>	<u>\$ 943,180</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES**

Schedule 6

*YEARS ENDED DECEMBER 31, 2016 AND 2015*

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	<u>2016</u>	<u>2015</u>
Auto	\$ 126	\$ 948
Computer support	2,449	2,597
Depreciation	2,781	2,794
Dues and subscriptions	506	539
General insurance	1,786	1,597
Group benefits	9,185	9,509
Meetings	1,179	1,991
Miscellaneous	1,761	1,021
Office supplies	976	917
Payroll taxes	6,877	6,124
Postage	140	1,002
Professional services	2,788	2,157
Repairs and maintenance	693	563
Salaries	85,763	72,008
Telephone	2,705	3,224
Training, conferences & travel	1,779	932
	<u>121,494</u>	<u>107,923</u>
Total management and general expenses	<u>\$ 121,494</u>	<u>\$ 107,923</u>



**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SCHEDULES OF FUND RAISING EXPENSES**

Schedule 7

*YEARS ENDED DECEMBER 31, 2016 AND 2015*

	<u>2016</u>	<u>2015</u>
Auto expense	\$ 328	\$ 1,676
Bad debt	1,000	-
Bank card charges	26,058	19,759
Computer support	7,766	8,492
Depreciation	6,655	6,699
Donor cultivation	5,597	5,626
Dues and subscriptions	3,128	2,196
General insurance	6,071	5,429
Group benefits	28,460	26,131
Miscellaneous	1,870	841
New member solicitation	73,960	88,141
Office supplies	2,053	2,201
Payroll taxes	13,423	15,583
Planned giving	3,090	3,980
Postage	3,990	1,805
Printing	2,164	4,238
Professional services	9,371	7,244
Repairs and maintenance	2,555	2,733
Salaries	165,113	183,247
Telephone	4,946	4,819
Training, conferences & travel	4,311	2,366
Total fund raising expenses	<u>\$ 371,909</u>	<u>\$ 393,206</u>

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SCHEDULES OF SPECIAL PROJECTS EXPENSES**

Schedule 8

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Special Projects - Program Services</u>		
Adopt an Animal	\$ 3,990	\$ 4,685
Learning Center	19,115	27,784
Membership Special Programs	4,662	783
Zoo Tours	561	-
Travel Program	-	3,000
Vet Camps	10,202	10,244
Wildlife Rehab Center	-	22
Total Special Projects - Program Services	<u>38,530</u>	<u>46,518</u>
<u>Special Projects - Other</u>		
Annual Giving	27,806	16,597
Conservation Endowment Program	418	513
Corporate Membership	6,764	5,630
Gifts-in-Kind	103,999	94,712
Kidz Palooza	15,770	-
President's Club and Conservator's Circle	2,464	-
Randolph Friends of the Zoo	3,309	2,408
Zoo To Do	90,306	96,726
Total Special Projects - Other	<u>250,836</u>	<u>216,586</u>
 Total special projects expenses	 <u>\$ 289,366</u>	 <u>\$ 263,104</u>