



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

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION**

*As of and for the Years Ended December 31, 2012
and 2011*

And Report of Independent Auditor

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

TABLE OF CONTENTS

ORGANIZATION AND BUSINESS	3
REPORT OF INDEPENDENT AUDITOR	4
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to Financial Statements	8-21
ACCOMPANYING INFORMATION	
Report of Independent Auditor on Accompanying Information	22
Schedule 1 - Schedules of Unrestricted Contributions and Special Projects	23
Schedule 2 - Schedule of Temporarily Restricted Support and Net Assets	24-28
Schedule 3 - Schedules of Revenue – Gift Shops, Net of Direct Costs	29
Schedule 4 - Summary of Program Support	30
Schedule 5 - Schedules of Program Services – Membership Expenses	31
Schedule 6 - Schedules of Management and General Expenses	32
Schedule 7 - Schedules of Fund Raising Expenses	33
Schedule 8 - Schedules of Special Projects Expenses	34

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Organization and Business

STATE OF INCORPORATION

North Carolina

MAIN FACILITY

Asheboro, North Carolina

DIRECTORS

William Clark IV
Nicole A. Crawford
William E. Currens, Jr.
Michael J. Fisher
Minor T. Hinson
Earl Johnson, Jr.
Jim Klingler
Mark K. Metz

Therence O. Pickett
Marjorie Moser Rankin
David K. Robb
Liz D. Taft, Ph.D.
Sydnor M. White, Jr.
Melanie Wilson
Charles M. Winston, Jr.
Martha Yarborough

OFFICERS

Earl Johnson, Jr.
Mark K. Metz
William E. Currens, Jr.
Therence O. Pickett

Chair
Vice Chair
Treasurer
Secretary

Cheryl Turner
Dee A. Freeman
Scott E. Reed

Interim Executive Director
Secretary N.C.D.E.N.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, 2012 and 2011, and the related statements of activities 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; 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. 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Asheboro, North Carolina
April 5, 2013

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

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 6,543,015	\$ 1,756,984
Investments	10,596,212	9,146,489
Beneficial interest in trust	93,327	87,213
Pledges receivable	696,986	780,105
Accounts receivable	20,533	43,498
Beneficial interest in charitable lead trust	1,302,736	1,360,147
Accrued interest	318	738
Inventory	351,980	313,755
Prepaid expenses	144,646	63,799
Cash surrender value of life insurance	4,586	4,691
Property and equipment, net of accumulated depreciation	3,025,260	2,753,562
Land available for sale	152,000	-
Total assets	<u><u>\$ 22,931,599</u></u>	<u><u>\$ 16,310,981</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 308,336	\$ 295,582
Liability under unitrust agreement	747,516	736,336
Debt	717,500	717,500
Total liabilities	<u>1,773,352</u>	<u>1,749,418</u>
Net assets		
Unrestricted		
Undesignated	3,335,517	1,936,419
Board designated endowment	46,762	15,152
Board designated reserves	8,791,729	4,836,313
Total unrestricted	<u>12,174,008</u>	<u>6,787,884</u>
Temporarily restricted	8,483,634	7,311,354
Permanently restricted	500,605	462,325
Total net assets	<u>21,158,247</u>	<u>14,561,563</u>
Total liabilities and net assets	<u><u>\$ 22,931,599</u></u>	<u><u>\$ 16,310,981</u></u>

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

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	Year Ended December 31, 2012				Year Ended December 31, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues, and reclassifications								
Contributions, grants and special projects	\$ 5,535,584	\$ 2,820,297	\$ 25,000	\$ 8,380,881	\$ 732,016	\$ 1,954,390	\$ 26,000	\$ 2,712,406
Membership dues	1,653,806	150,962	-	1,804,768	1,624,043	138,888	-	1,762,931
Gift shop revenue, net of total direct costs of \$1,467,454 (\$781,472 in 2011)	700,267	56,218	-	756,485	266,293	42,054	-	308,347
Investment income	219,288	24,788	342	244,418	220,201	23,676	402	244,279
Net unrealized and realized gains (losses)	490,098	48,030	12,938	551,066	(235,763)	(18,646)	(4,884)	(259,293)
Change in value of unitrust	-	2,736	-	2,736	-	8,444	-	8,444
Change in value of beneficial interest in charitable lead trust	-	52,916	-	52,916	-	56,557	-	56,557
Loss on disposal of property and equipment	(11)	-	-	(11)	(1,165)	-	-	(1,165)
Net assets released from restrictions								
Satisfaction of purpose requirements	1,983,667	(1,983,667)	-	-	1,733,249	(1,736,756)	3,507	-
Total public support, revenues and reclassifications	10,582,699	1,172,280	38,280	11,793,259	4,338,874	468,607	25,025	4,832,506
Expenses								
Program services								
Program support	3,528,057	-	-	3,528,057	3,153,315	-	-	3,153,315
Membership services	872,248	-	-	872,248	877,467	-	-	877,467
Special projects	29,729	-	-	29,729	46,589	-	-	46,589
Total program services	4,430,034	-	-	4,430,034	4,077,371	-	-	4,077,371
Supporting services								
Management and general	106,281	-	-	106,281	89,538	-	-	89,538
Special projects - other	237,726	-	-	237,726	239,289	-	-	239,289
Fund raising	422,534	-	-	422,534	368,979	-	-	368,979
Total expenses	5,196,575	-	-	5,196,575	4,775,177	-	-	4,775,177
Change in net assets	5,386,124	1,172,280	38,280	6,596,684	(436,303)	468,607	25,025	57,329
Net assets at beginning of year	6,787,884	7,311,354	462,325	14,561,563	7,224,187	6,842,747	437,300	14,504,234
Net assets at end of year	\$ 12,174,008	\$ 8,483,634	\$ 500,605	\$ 21,158,247	\$ 6,787,884	\$ 7,311,354	\$ 462,325	\$ 14,561,563

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase in net assets	\$ 6,596,684	\$ 57,329
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	84,991	72,799
Donated land included in contribution revenue	(152,000)	-
Net unrealized and realized (gain) loss on investments	(551,066)	259,293
Loss on disposal of equipment	11	1,165
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	22,965	104,930
(Increase) decrease in pledges receivable	83,119	(112,275)
(Increase) decrease in beneficial interest in charitable lead trust	57,411	53,770
(Increase) decrease in accrued interest receivable	420	354
(Increase) decrease in inventory	(38,225)	6,360
(Increase) decrease in other assets	(80,742)	14,378
Increase (decrease) in accounts payable and accrued expenses	12,754	14,712
Increase (decrease) in liability under unitrust agreement	11,180	(17,967)
	<u>6,047,502</u>	<u>454,848</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Cash paid for purchases of property and equipment	(356,804)	(132,938)
Gross proceeds from sale of asset	104	-
Net increase in investments	<u>(904,771)</u>	<u>(575,432)</u>
Net cash used in investing activities	<u>(1,261,471)</u>	<u>(708,370)</u>
Cash flows from financing activities		
Payment on debt	<u>-</u>	<u>(717,500)</u>
Net cash used in financing activities	<u>-</u>	<u>(717,500)</u>
Net increase (decrease) in cash and cash equivalents	4,786,031	(971,022)
Cash and cash equivalents at beginning of year	<u>1,756,984</u>	<u>2,728,006</u>
Cash and cash equivalents at end of year	<u>\$ 6,543,015</u>	<u>\$ 1,756,984</u>
Supplemental information		
Interest paid	<u>\$ 12,841</u>	<u>\$ 17,334</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, 2012 AND 2011

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 also solicits public support for the Sylvan Heights Waterfowl Park and Eco-Center. The Society is supported primarily through memberships and donor contributions.

The Society assumed management of the gift shop operations formerly managed by the Park during 2012. Gift shop revenue is one of the means of raising support for the Society. During 2012, the Society entered into an agreement with the Park whereby all net profits are transferred to the Park as a part of Program Support.

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 FASB Accounting Standards Codification, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation in the current year financial statements. Significant changes to 2011 expense categories include reclassifying membership development expenses as part of fundraising expenses.

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 \$394,797 and \$1,368,103 during the years ended 2012 and 2011, 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 North Carolina Zoological Park provides office and gift shop facilities for the Society at no charge. For the years ended December 31, 2012 and 2011, in-kind support in the amount of \$59,312 and \$31,016 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 statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement 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, 2012 AND 2011

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 years
Leasehold improvements	10-40 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 a tax determination letter dated March 30, 1971. Accordingly, the accompanying financial statements do not include a provision for income taxes.

The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the effect of the guidance provided by U.S. Generally Accepted Accounting Principles on Accounting for Uncertainty in Income Taxes this year. Management believes that the Society continues to satisfy the requirements of a tax-exempt organization at December 31, 2012. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Society had no significant uncertain income tax positions at December 31, 2012. The Society's tax returns for tax years 2009 through 2012 are subject to examination as of December 31, 2012.

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 12. 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 Accounting Standards Codification, 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

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 1—Summary of significant accounting policies (continued)

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.

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.

Certificates of deposit - These investments are priced using a market value pricing model. The certificates of deposit 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.

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

Fixed income and real asset - 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. The approximate allocations of the underlying investments within the beneficial interest in trust at December 31, 2012 are as follows: Level 1 – 37%, Level 2 – 40%, and Level 3 – 23%.

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, 2012 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, 2012 and 2011, the Society had \$5,338,654 and \$1,147,509, respectively, which exceeded these insured or collateralized amounts.

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

DECEMBER 31, 2012 AND 2011

Note 3—Investments

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

	December 31, 2012			December 31, 2011		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
General						
Certificates of deposit	\$ 294,223	\$ 294,223	\$ -	\$ 303,554	\$ 303,554	\$ -
U.S. Government obligations	848,866	883,439	34,573	954,372	1,014,608	60,236
Marketable corporate securities	3,001,701	3,239,794	238,093	2,458,933	2,372,174	(86,759)
Other complimentary strategies	184,429	185,663	1,234	-	-	-
Real asset funds	225,744	226,079	335	188,644	172,614	(16,030)
Stock and bond mutual funds	<u>3,874,976</u>	<u>3,902,986</u>	<u>28,010</u>	<u>3,487,136</u>	<u>3,512,738</u>	<u>25,602</u>
	<u>8,429,939</u>	<u>8,732,184</u>	<u>302,245</u>	<u>7,392,639</u>	<u>7,375,688</u>	<u>(16,951)</u>
Investments held in Trust						
Money market funds	32,969	32,969	-	71,446	71,446	-
Marketable corporate securities	374,371	434,088	59,717	206,105	416,870	210,765
Stock and bond mutual funds	<u>460,611</u>	<u>463,424</u>	<u>2,813</u>	<u>445,199</u>	<u>428,249</u>	<u>(16,950)</u>
	<u>867,951</u>	<u>930,481</u>	<u>62,530</u>	<u>722,750</u>	<u>916,565</u>	<u>193,815</u>
Endowments						
U.S. Government obligations	42,861	45,225	2,364	55,518	58,088	2,570
Marketable corporate securities	396,433	417,771	21,338	414,852	389,914	(24,938)
Real asset funds	41,380	41,441	61	43,429	39,738	(3,691)
Other complimentary strategies	33,806	34,033	227	-	-	-
Stock and bond mutual funds	<u>381,088</u>	<u>395,077</u>	<u>13,989</u>	<u>364,128</u>	<u>366,496</u>	<u>2,368</u>
	<u>895,568</u>	<u>933,547</u>	<u>37,979</u>	<u>877,927</u>	<u>854,236</u>	<u>(23,691)</u>
	<u>\$10,193,458</u>	<u>\$10,596,212</u>	<u>\$402,754</u>	<u>\$8,993,316</u>	<u>\$9,146,489</u>	<u>\$153,173</u>

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

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	\$219,288	\$ 24,788	\$ 342	\$244,418	\$ 220,201	\$23,676	\$ 402	\$244,279
Realized and unrealized gain (loss)	<u>490,098</u>	<u>48,030</u>	<u>12,938</u>	<u>551,066</u>	<u>(235,763)</u>	<u>(18,646)</u>	<u>(4,884)</u>	<u>(259,293)</u>
	<u>\$709,386</u>	<u>\$ 72,818</u>	<u>\$13,280</u>	<u>\$795,484</u>	<u>\$ (15,562)</u>	<u>\$ 5,030</u>	<u>\$ (4,482)</u>	<u>\$ (15,014)</u>

Investment income from regular investments and endowments for 2012 is net of \$53,065 and \$5,553 in administrative fees, respectively. Investment income from regular investments and endowments for 2011 is net of \$47,322 and \$5,565 in administrative fees, respectively.

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.

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

DECEMBER 31, 2012 AND 2011

Note 3—Investments (continued)

Fair Value of Financial Investments, Carried at Fair Value (continued)

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.

	As of December 31, 2012			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Money market funds	\$ -	\$ 4,958,639	\$ -	\$ 4,958,639
Certificates of deposit	-	294,223	-	294,223
Domestic and international equities	4,091,653	-	-	4,091,653
Real asset funds	267,520	-	-	267,520
Fixed income - bonds	-	2,032,522	-	2,032,522
Fixed income - mutual funds	3,877,325	-	-	3,877,325
Beneficial interest in trust	-	-	93,327	93,327
	<u>\$ 8,236,498</u>	<u>\$ 7,285,384</u>	<u>\$ 93,327</u>	<u>\$ 15,615,209</u>

	As of December 31, 2011			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Money market funds	\$ -	\$ 865,769	\$ -	\$ 865,769
Certificates of deposit	-	303,554	-	303,554
Domestic and international equities	3,178,958	-	-	3,178,958
Real asset funds	212,352	-	-	212,352
Fixed income - bonds	-	2,438,927	-	2,438,927
Fixed income - mutual funds	2,941,251	-	-	2,941,251
Beneficial interest in trust	-	-	87,213	87,213
	<u>\$ 6,332,561</u>	<u>\$ 3,608,250</u>	<u>\$ 87,213</u>	<u>\$ 10,028,024</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 2012 and 2011.

During the years ended December 31, 2012 and 2011, 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, 2012 AND 2011

Note 4—Beneficial interest in trust

The beneficial interest in trust is held at the Foundation for the Carolinas 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 for the Carolinas and relies on various factors, processes and procedures to determine if the estimate of value is reasonable. However, information used by the Foundation for the Carolinas 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) is as follows for the years ended December 31:

	December 31	
	2012	2011
Beginning fair value	\$ 87,213	\$ 95,314
Dividends and interest	802	1,367
Unrealized gains (losses)	9,320	(5,498)
Realized gains	252	676
Capital gains distributions	823	316
Fees	(1,016)	(1,061)
Distributions	<u>(4,067)</u>	<u>(3,901)</u>
Ending fair value	<u>\$ 93,327</u>	<u>\$ 87,213</u>

Note 5—Pledges receivable

Pledges receivable consist of the following:

	December 31	
	2012	2011
Membership pledges	\$ 48,996	\$ 58,541
Other pledges	<u>669,129</u>	<u>739,699</u>
Gross pledges receivable	718,125	798,240
Less: Discount to net present value	(3,139)	(135)
Less: Allowance for uncollectible contributions	<u>(18,000)</u>	<u>(18,000)</u>
Net pledges receivable	<u>\$696,986</u>	<u>\$780,105</u>
Amounts due in		
Less than one year	\$429,751	\$667,801
One to five years	<u>288,374</u>	<u>130,439</u>
	<u>\$718,125</u>	<u>\$798,240</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 5—Pledges receivable (continued)

Pledges receivable that are due beyond one year are discounted to their estimated net present value. The discount rate is based on a rate of return for risk-free investments covering a similar period of time. The discount rates vary depending on when the pledge originates and are as follows:

<u>Year Pledge Originated</u>	<u>Discount Rate</u>
2006	5%
2007	3%
2008 through 2011	2%
2012	1%

Note 6—Split interest agreements

During 1997, a donor established a trust naming the Society as the sole beneficiary of a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor over the trust's term. At the end of the trust's term, the remaining assets will be distributed for the Society's use. This trust has a term of twenty years and the donor serves as trustee. A portion of the trust attributed to the present value of the future benefits to be received by the Society is recorded in the statement of activities as a temporarily restricted contribution and in the statement of financial position as a contribution receivable from the charitable remainder trust. The present value of the estimated future payment in twenty years was calculated using a discount rate of seven percent. The Society has recognized \$35,631 as its interest in the unitrust through December 31, 2012.

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 statement of activities as a temporarily restricted contribution in the period that the trust is established. There were no contributions to the trust in 2012 and 2011. Assets held in the charitable remainder trust totaled \$930,481 and \$916,565 at December 31, 2012 and 2011 and are reported at fair market value in the Society's statement 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 (\$747,516 and \$736,336 at December 31, 2012 and 2011) is calculated using a discount rate of 5% and applicable mortality tables.

During 2009, a donor established a trust with a bank naming the Society as the lead beneficiary of a charitable lead trust. 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 was initially recorded as a temporarily restricted contribution and as a receivable - beneficial interest in charitable lead trust. The Society received \$110,327 from the trust in 2012 and 2011, which were recorded as reductions in the receivable and corresponding reclassifications from temporarily restricted to unrestricted net assets. 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 recorded was \$52,916 and \$56,557 in 2012 and 2011, respectively.

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

DECEMBER 31, 2012 AND 2011

Note 6—Split interest agreements (continued)

	December 31	
	2012	2011
Beneficial interest in charitable lead trust		
Beginning of year	\$1,360,147	\$1,413,917
Change in value	52,916	56,557
Payment from charitable lead trust	<u>(110,327)</u>	<u>(110,327)</u>
End of year	<u>\$1,302,736</u>	<u>\$1,360,147</u>

The Society was notified in prior years that 3 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 statement of activities as a temporarily restricted contribution and in the statement 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 trusts recorded in 2010. The Society has recognized \$25,769, \$40,967 and \$26,968 as its interest in these 3 unitrusts through December 31, 2012.

Note 7—Property and equipment

A summary of property and equipment follows:

	December 31	
	2012	2011
Land improvements	\$ 1,250	\$ 1,250
Land	2,080,485	1,780,589
Buildings and improvements	1,062,557	1,062,057
Fixtures and equipment – gift shops	126,861	191,161
Furniture and equipment – office	302,812	313,061
Automobiles	77,215	77,215
Leasehold improvements	<u>73,370</u>	<u>30,924</u>
	3,724,550	3,456,257
Less accumulated depreciation	<u>699,290</u>	<u>702,695</u>
	<u>\$ 3,025,260</u>	<u>\$ 2,753,562</u>

Note 8—Debt

Debt consists of the following:

	December 31	
	2012	2011
Loan payable in 24 monthly payments of interest only with all principal and unpaid accrued interest due May 5, 2014. The interest rate is the LIBOR rate plus 1.5% (1.75% at December 31, 2012). The loan is collateralized by investments held in an account at the same financial institution. At December 31, 2012, funds in that account totaled \$8,452,267. 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 \$1,380,000.	<u>\$ 717,500</u>	<u>\$ 717,500</u>

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

DECEMBER 31, 2012 AND 2011

Note 8—Debt (continued)

Maturities of debt are as follows:

<u>Year ending in</u>	<u>Amount</u>
2014	<u>\$ 717,500</u>

Note 9—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 are available for restricted purposes:

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
<u>Purpose restrictions</u>		
Animal welfare and initiatives	\$ 122,978	\$ 114,103
Horticulture programs and initiatives	31,928	39,209
Veterinary programs and initiatives	1,312,199	1,307,759
Design programs and initiatives	215,884	306,663
Education programs and initiatives	38,590	43,805
Zoo visitor growth and awareness	25,343	2,202
Zoo welfare initiatives	-	41,345
Conservation programs and initiatives	1,372,709	551,426
Planning and facilities	3,475,410	2,971,052
Undistributed endowment gains	<u>26,057</u>	<u>20,494</u>
Total purpose restrictions	<u>6,621,098</u>	<u>5,398,058</u>
<u>Time restrictions</u>		
Beneficial interest in charitable lead trust	1,302,736	1,360,147
Graham charitable remainder trust	182,965	180,229
Haggard charitable remainder trusts	67,935	66,603
Johnston charitable remainder trust	35,631	33,275
Land for wildlife preserve	248,500	248,500
Peters charitable remainder trust	<u>24,769</u>	<u>24,542</u>
Total time restrictions	<u>1,862,536</u>	<u>1,913,296</u>
Total temporarily restricted net assets	<u>\$8,483,634</u>	<u>\$7,311,354</u>

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

DECEMBER 31, 2012 AND 2011

Note 10—Permanently restricted net assets

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable to support conservation and zoological programs. The following is a summary of the endowments:

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
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.	\$ 62,587	\$ 57,844
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.	95,930	87,393
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.	75,000	50,000
Warner Atkins Endowment – All income including gains and losses on long-term investments are unrestricted. Invested with the Foundation for the Carolinas.	<u>25,000</u>	<u>25,000</u>
	<u>\$500,605</u>	<u>\$462,325</u>

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

DECEMBER 31, 2012 AND 2011

Note 11—Board-designated unrestricted net assets

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

	<u>2012</u>	<u>2011</u>
Animal welfare and enrichment	\$ 41,919	\$ 36,119
Conservation programs and initiatives	66,067	55,776
Design programs and initiatives	1,039	2,789
Education programs and initiatives	56,304	34,220
Emergency reserve	677,160	611,923
Horticulture programs and initiatives	77,879	35,532
Lion's Pride	7,514,786	3,777,803
Planning and facilities	61,868	25,868
Professional services	10,776	24,459
Veterinary programs and initiatives	43,269	39,769
Zoo visitor growth and awareness	138,427	71,927
Zoo personnel, supplements, travel and training	<u>102,235</u>	<u>120,128</u>
	<u>\$8,791,729</u>	<u>\$4,836,313</u>

The Society has committed \$717,500 from Lion's Pride net assets for repayment of the remaining balance of long-term debt issued in 2008 for the purchase of land. The Society has also committed \$2.95 million for the Polar Bear expansion project of which \$331,813 has been expended as of December 31, 2012.

Note 12—In-kind donated materials and services

The value of donated materials and services included in the financial statements is as follows:

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Program support	\$304,475	\$ 64,532
Utilized by the Society		
Management and general	103,837	65,280
Special projects (Zoo to Do)	<u>24,522</u>	<u>25,300</u>
	<u>\$432,834</u>	<u>\$155,112</u>

Note 13—Operating leases

The Society has two noncancelable operating leases for office equipment. Rental expense for leases consisted of \$10,926 and \$11,737 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments under the operating lease as of December 31, 2012 are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 10,130
2014	6,150
2015	<u>4,100</u>
	<u>\$ 20,380</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 14—Retirement plan

The Society participates in a defined contribution plan administered by Mutual of America. Effective January 1, 2012, the Society decreased their contribution rate by two percent. All employees are eligible to participate after one year of service, after which the Society contributes 7% for 2012 and 9% for 2011 of participating employees' annual salary. Vesting of employees' benefits under the plan occurs after three years. The cost of the plan for 2012 and 2011 was \$70,327 and \$112,787, respectively.

Note 15—Related party transactions

The Society serves as trustee for a charitable remainder trust, as summarized in Note 6, which was donated by a former member of the Board of Directors. During 2012, the member's term on the Board of Directors ended.

The Society maintains bank deposits and investments with an institution totaling \$2,456,549 as of December 31, 2011 where a former member of the Board of Directors serves in a management position. There were investment fees of \$14,191 paid to this institution during 2011. During 2012, the member's term on the Board of Directors ended.

Included in pledges receivable as of December 31, 2012 and 2011 are \$16,588 and \$32,491 due from various related parties.

Included in accrued expenses as of December 31, 2012 and 2011 are \$139,744 and \$105,258 due to various related parties.

Note 16—Endowment funds

The Society's endowments consist of 11 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.

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

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

DECEMBER 31, 2012 AND 2011

Note 16—Endowment funds (continued)

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, that are intended to result in a consistent inflation-protected rate of return. 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, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 39,579	\$ 500,000	\$ -	\$ 539,579
Donor-restricted endowment funds	7,183	105,250	500,605	613,038
Total funds	<u>\$ 46,762</u>	<u>\$ 605,250</u>	<u>\$ 500,605</u>	<u>\$ 1,152,617</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 36,989	\$ 500,000	\$ -	\$ 536,989
Donor-restricted endowment funds	(21,837)	39,380	462,325	479,868
Total funds	<u>\$ 15,152</u>	<u>\$ 539,380</u>	<u>\$ 462,325</u>	<u>\$ 1,016,857</u>

Changes in Endowment Net Assets as of December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 15,152	\$ 539,380	\$ 462,325	\$ 1,016,857
Contributions	-	-	25,000	25,000
Investment income	5,475	20,904	342	26,721
Net depreciation (realized and unrealized)	29,234	48,030	12,938	90,202
Amounts appropriated for expenditures	<u>(3,099)</u>	<u>(3,064)</u>	<u>-</u>	<u>(6,163)</u>
Endowment net assets, end of year	<u>\$ 46,762</u>	<u>\$ 605,250</u>	<u>\$ 500,605</u>	<u>\$ 1,152,617</u>

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

DECEMBER 31, 2012 AND 2011

Note 16—Endowment funds (continued)

Changes in Endowment Net Assets as of December 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 22,685	\$ 540,688	\$ 437,300	\$ 1,000,673
Contributions	-	-	29,507	29,507
Investment income	6,235	18,265	402	24,902
Net depreciation (realized and unrealized)	(10,794)	(18,646)	(4,884)	(34,324)
Amounts appropriated for expenditures	(2,974)	(927)	-	(3,901)
Endowment net assets, end of year	<u>\$ 15,152</u>	<u>\$ 539,380</u>	<u>\$ 462,325</u>	<u>\$ 1,016,857</u>

At December 31, 2011, the fair value of invested assets assigned to the permanently restricted endowment net asset balance required to be maintained in perpetuity had a deficiency of \$21,837.

Note 17—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.

Note 18—Subsequent events

The Society has evaluated subsequent events through April 5, 2013, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

There are discussions regarding a change in governance of the North Carolina Zoological Park from a state operation to a public/private partnership that would merge the operations of the North Carolina Zoological Park and Society.

Report of Independent Auditor on Accompanying Information

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

We have audited the financial statements of The North Carolina Zoological Society, Inc. as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated April 5, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on pages 23-34 is presented for the 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cherry Bekaert LLP

Asheboro, North Carolina
April 5, 2013

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
SCHEDULES OF UNRESTRICTED CONTRIBUTIONS AND SPECIAL PROJECTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Contributions	\$ 5,119,552	\$ 501,675
Membership projects		
Membership discount tickets	70,037	60,241
Travel program	5,549	16,040
Education projects		
Contributions and receipts	84,500	68,116
Other projects		
Combo tickets	187,007	-
Learning Center	16,208	15,473
President's Club and Conservator's Circle	37,630	55,250
Miscellaneous	<u>15,101</u>	<u>15,221</u>
Total unrestricted contributions and special projects	<u>\$ 5,535,584</u>	<u>\$ 732,016</u>

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

YEAR ENDED DECEMBER 31, 2012

<u>Description</u>	<u>Temporarily Restricted Net Assets 12/31/2011</u>	<u>Donor Restricted Support</u>	<u>Expenses</u>	<u>Program Support</u>	<u>Other Releases</u>	<u>Total Net Assets Released</u>	<u>Temporarily Restricted Net Assets 12/31/2012</u>
<u>Purpose Restrictions</u>							
Animal Welfare and Initiatives							
AAZK	\$ 642	\$ 1,158	\$ -	\$ -	\$ -	\$ -	\$ 1,800
Animal Enrichment	1,921	(1,322)	-	599	-	599	-
Animal Welfare	11,084	50	-	1,563	-	1,563	9,571
Animals and Animal Care	84	50,994	6,898	12,487	-	19,385	31,693
Aviary Collection	939	(437)	-	502	-	502	-
Box Turtle Project	1,323	-	-	330	-	330	993
Cape Fear Shiner Project	5,911	-	-	-	-	-	5,911
Chimpanzee Enrichment	5,018	(5,018)	-	-	-	-	-
Elephant Collection	12,585	(12,585)	-	-	-	-	-
Elephant Enrichment	3,321	(3,076)	-	245	-	245	-
Enrichment & Training	21,487	25,354	1,102	7,000	-	8,102	38,739
Giraffe Enrichment	5,587	(5,444)	-	143	-	143	-
Gorilla Conference	-	2,946	-	1,847	-	1,847	1,099
Kendall Project	5,590	20	-	100	-	100	5,510
Operant Conditioning	-	-	-	-	-	-	-
Polar Bear Welfare	-	-	-	-	-	-	-
Red River Hogs	2,340	(2,340)	-	-	-	-	-
Red Wolf	1,152	(84)	-	1,068	-	1,068	-
River Otter	181	(181)	-	-	-	-	-
Thomson's Gazelle	9,295	-	-	2,000	-	2,000	7,295
Tropical Bird Research - Costa Rica	513	440	-	500	-	500	453
Web Animal Project	100	(100)	-	-	-	-	-
Welfare of Animals	11,509	15,000	-	6,595	-	6,595.00	19,914
	<u>114,103</u>	<u>64,861</u>	<u>8,000</u>	<u>47,986</u>	<u>-</u>	<u>55,986</u>	<u>122,978</u>
Horticulture Programs and Initiatives							
AZH Conservation Grant	8,661	98	-	5,000	-	5,000	3,759
Butterfly Garden	255	-	-	-	-	-	255
Hiking Trails	11,815	1,517	-	9,333	-	9,333	3,999
Horticulture	5,810	(4,614)	194	703	-	897	299
Horticulture Fund	4,043	6,240	-	4,580	-	4,580	5,703
Plant Conservation Day Activities	2,500	1,644	-	1,644	-	1,644	2,500
Plant Conservation Field Programs	5,595	9,462	-	184	-	184	14,873
Ridges Mountain	530	10	-	-	-	-	540
	<u>39,209</u>	<u>14,357</u>	<u>194</u>	<u>21,444</u>	<u>-</u>	<u>21,638</u>	<u>31,928</u>

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

YEAR ENDED DECEMBER 31, 2012

<u>Description</u>	Temporarily	Donor	<u>Expenses</u>	<u>Program</u>	<u>Other</u>	<u>Total</u>	Temporarily
	<u>Restricted</u>	<u>Restricted</u>					<u>Net Assets</u>
	<u>Net Assets</u>	<u>Support</u>		<u>Support</u>	<u>Releases</u>	<u>Net Assets</u>	<u>Net Assets</u>
	<u>12/31/2011</u>					<u>Released</u>	<u>12/31/2012</u>
Veterinary Programs and Initiatives							
Costa Rican Toad	\$ 114	\$ (114)	\$ -	\$ -	\$ -	\$ -	\$ -
Diagnostic Vet Equipment	5,266	11,051	-	15,601	-	15,601	716
Elephant Tracking Program	12,108	48,602	-	60,710	-	60,710	-
Endoscope	6,957	-	-	-	-	-	6,957
Loomis Flexible Fund	6,162	-	-	2,898	-	2,898	3,264
Mary Frances Key Fund Rabies	3,299	(3,299)	-	-	-	-	-
Pachyderm Breeding Center	482,090	-	-	18,240	-	18,240	463,850
Reduce Human/Elephant Conflicts	-	534	-	534	-	534	-
Season Nutritional Effects on Elephants	8,189	(534)	-	1,638	-	1,638	6,017
Vet Camp Proceeds	33,799	23,567	4,377	17,587	-	21,964	35,402
Vet Camp Sponsorships	338	5,000	-	5,062	-	5,062	276
Veterinary - Daldorf Fund	104,545	5,980	-	7,334	-	7,334	103,191
Wildlife Learning Center Intern	-	1,426	-	780	-	780	646
Wildlife Learning Center Operating	6,390	1,763	-	317	-	317	7,836
Wildlife Learning Center Programs	1,635	(1,635)	-	-	-	-	-
Wildlife Rehabilitation Caging	2,061	-	-	-	-	-	2,061
Wildlife Rehabilitation Facility	-	22,499	453	22,046	-	22,499	-
Wildlife Rehabilitation Operating	-	(681)	-	(681)	-	(681)	-
Wildlife Rehabilitation Scholarship	35,611	-	-	-	-	-	35,611
WRC & Learning Center Operating	599,195	48,358	-	1,181	-	1,181	646,372
	<u>1,307,759</u>	<u>162,517</u>	<u>4,830</u>	<u>153,247</u>	<u>-</u>	<u>158,077</u>	<u>1,312,199</u>
Design Programs and Initiatives							
Artwork Maintenance (anonymous couple)	19,936	354	-	388	-	388	19,902
Digital Information	5,935	-	-	(735)	-	(735)	6,670
Exhibit Fabrication Facility	55,000	818	-	55,818	-	55,818	-
Exhibit Maintenance	-	1,781	-	-	-	-	1,781
Honey Bee Exhibit	10,029	300	-	252	-	252	10,077
Interpretive Graphics and Educational	7,180	(7,180)	-	-	-	-	-
Island of Transformation (Moser)	601	(601)	-	-	-	-	-
NCZP Arts Program Support	19,637	1,065	-	7,593	-	7,593	13,109
Polar Bear Art & Interpretives	188,345	-	-	24,000	-	24,000	164,345
	<u>306,663</u>	<u>(3,463)</u>	<u>-</u>	<u>87,316</u>	<u>-</u>	<u>87,316</u>	<u>215,884</u>

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

YEAR ENDED DECEMBER 31, 2012

<u>Description</u>	<u>Temporarily Restricted Net Assets 12/31/2011</u>	<u>Donor Restricted Support</u>	<u>Expenses</u>	<u>Program Support</u>	<u>Other Releases</u>	<u>Total Net Assets Released</u>	<u>Temporarily Restricted Net Assets 12/31/2012</u>
Education Programs and Initiatives							
Biofuel Program	\$ 1,007	\$ (1,007)	\$ -	\$ -	\$ -	\$ -	\$ -
Connect to Kids Program	18,537	(18,537)	-	-	-	-	-
Educational Programs	6,636	5,296	834	-	-	834	11,098
Field Trip Earth	2,147	18,537	-	1,992	-	1,992	18,692
Keepers in the Classroom	1,062	(1,062)	-	-	-	-	-
Kids Active	2,671	(2,671)	-	-	-	-	-
Education	43	10,678	-	2,414	-	2,414	8,307
Uganda Scholarship Program	3,132	6,650	-	9,464	-	9,464	318
Volunteer Programs	1,997	-	-	1,822	-	1,822	175
Zoo Trek	6,453	(5,816)	-	637	-	637	-
Zoolinc Travel and Materials	120	(120)	-	-	-	-	-
	<u>43,805</u>	<u>11,948</u>	<u>834</u>	<u>16,329</u>	<u>-</u>	<u>17,163</u>	<u>38,590</u>
Zoo Visitor Growth and Awareness							
Community Outreach	-	26,860	-	26,860	-	26,860	-
Dinosaurs	-	137,741	-	129,600	-	129,600	8,141
Marketing Sponsorships	2,202	15,000	-	-	-	-	17,202
	<u>2,202</u>	<u>179,601</u>	<u>-</u>	<u>156,460</u>	<u>-</u>	<u>156,460</u>	<u>25,343</u>
Zoo Welfare Initiatives							
Baghdad	549	(549)	-	-	-	-	-
Baghdad Animals	1,500	(1,500)	-	-	-	-	-
Cairo Zoo	10,547	(10,547)	-	-	-	-	-
Kabul Zoo Fund	10,602	(10,602)	-	-	-	-	-
Zoo Welfare Initiatives	18,147	-	-	18,147	-	18,147	-
	<u>41,345</u>	<u>(23,198)</u>	<u>-</u>	<u>18,147</u>	<u>-</u>	<u>18,147</u>	<u>-</u>

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

YEAR ENDED DECEMBER 31, 2012

<u>Description</u>	<u>Net Assets</u> <u>12/31/2011</u>	<u>Restricted</u> <u>Support</u>	<u>Expenses</u>	<u>Program</u> <u>Support</u>	<u>Other</u> <u>Releases</u>	<u>Net Assets</u> <u>Released</u>	<u>Net Assets</u> <u>12/31/2012</u>
Conservation Programs and Initiatives							
Acres for the Atmosphere	\$ 5,052	\$ 8,620	\$ -	\$ 5,476	\$ -	\$ 5,476	\$ 8,196
Amphibian Crisis Fund	38,772	300	-	-	-	-	39,072
AZA - Conservation Endowment Program	1,044	546	1,045	-	-	1,045	545
Chimp - Conservation	3,415	1,001	-	3,000	-	3,000	1,416
Chimp - Hondo Memorial	1,325	-	-	-	-	-	1,325
Conservation Medicine	7,268	7,614	-	5,275	-	5,275	9,607
Conservation Projects	16,829	(7,191)	-	9,638	-	9,638	-
Crocodylian Conservation	98	-	-	-	-	-	98
Cross River Gorillas	18,138	500	-	11,629	-	11,629	7,009
Cross River Gorillas Monitoring System	32,978	-	-	32,903	-	32,903	75
Field Conservation & Research	29,308	43,833	8,150	11,615	-	19,765	53,376
Field Conservation & Research BSP	20,320	(1,000)	-	5,070	-	5,070	14,250
Field Programs	9,853	8,000	-	6,565	-	6,565	11,288
Gorilla Tracking Dogs	9,044	(369)	-	1,768	-	1,768	6,907
Gorilla Tracking Dogs C.E.F.	19,530	-	-	19,530	-	19,530	-
Gorilla Tracking Dogs C.I.	1,093	-	-	1,093	-	1,093	-
Gorilla Tracking Dogs U.S.F.W	30,782	681	-	31,463	-	31,463	-
Great Ape Video	47,560	-	-	29,330	-	29,330	18,230
Lucille Stickle Fund	1,539	2,925	-	2,000	-	2,000	2,464
Native Animal Welfare	878	1,899	-	2,777	-	2,777	-
Native Wildlife	6,096	3,407	-	3,383	-	3,383	6,120
Nigerian Forest Biodiversity	41	(41)	-	-	-	-	-
Polar Bear Field Conservation	-	10,000	-	10,000	-	10,000	-
Red Wolf Coalition Enclosure	15,000	-	-	-	15,000	15,000	-
Sylvan Heights General Operating	12,513	132,659	-	219,134	(110,327)	108,807	36,365
Sylvan Heights Landing Zone	17,779	-	-	14,232	-	14,232	3,547
Sylvan Heights Phase I, II & III	152,547	2,000	-	51,710	-	51,710	102,837
Sylvan Heights White Mill Pond	47,500	-	-	-	-	-	47,500
UNITE Cleveland Zoo Society Grant	-	3,010	-	3,010	-	3,010	-
UNITE Conservation Education	4,150	1,829	-	5,979	-	5,979	-
UNITE School Construction	974	3,389	-	-	-	-	4,363
Wildlife Habitat Acquisition & Management	-	1,305,834	-	7,818	299,897	307,715	998,119
	<u>551,426</u>	<u>1,529,446</u>	<u>9,195</u>	<u>494,398</u>	<u>204,570</u>	<u>708,163</u>	<u>1,372,709</u>

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

YEAR ENDED DECEMBER 31, 2012

<u>Description</u>	Temporarily	Donor	<u>Expenses</u>	<u>Program</u>	<u>Other</u>	<u>Total</u>	Temporarily
	<u>Restricted</u>	<u>Restricted</u>					<u>Net Assets</u>
	<u>12/31/2011</u>	<u>Support</u>		<u>Support</u>	<u>Releases</u>	<u>Net Assets</u>	<u>12/31/2012</u>
Planning and Facilities							
Benches	\$ 9,531	\$ 3,000	\$ -	\$ 7,166	\$ -	\$ 7,166	\$ 5,365
Change in Governance	-	10,000	-	-	-	-	10,000
Elephant/Rhino Exhibits	2,829	-	-	467	-	467	2,362
Endowment for Zoo Needs	9,623	-	-	-	-	-	9,623
Giraffe Deck	572	(572)	-	-	-	-	-
KidZone	385,168	27,180	-	32,417	-	32,417	379,931
KidZone Training & Research Center	9,152	-	-	-	-	-	9,152
Marsh Renovation	-	210,000	-	51,354	-	51,354	158,646
New African Exhibit	686	-	-	-	-	-	686
Ocelot	135,555	206,182	97,054	2,297	-	99,351	242,386
Polar Bear Capital	2,300,874	262,549	22	167,306	-	167,328	2,396,095
Polar Bear Sculpture	10,000	-	-	5,000	-	5,000	5,000
Power Kids Kiosk	991	8,476	-	9,467	-	9,467	-
Cori Palermo Memorial	1,403	-	-	-	-	-	1,403
David M. Holt Memorial	8,100	2,000	-	-	-	-	10,100
GIK Society Used	-	103,837	103,837	-	-	103,837	-
GIK Transferred to the Park	-	142,081	-	142,081	-	142,081	-
Global Welfare Position	-	89,475	-	22,364	-	22,364	67,111
Iwerks Revolving Fund	19,471	3,563	-	-	-	-	23,034
Pisgah Covered Bridge	6,087	-	-	13	-	13	6,074
RFOZ Grants	14,691	7,500	-	6,105	-	6,105	16,086
Rocky Coast	-	4,590	1,672	-	-	1,672	2,918
Service Support Storage Facility	50,000	18,924	-	-	-	-	68,924
Shade Structures	5,178	-	-	-	-	-	5,178
Sonora Desert	500	(500)	-	-	-	-	-
Steve Thornburg Tract Renovation	641	35	-	200	-	200	476
Tiger Exhibit	-	50,034	-	-	-	-	50,034
Zoo Repair & Renovation	-	5,426	-	600	-	600	4,826
	<u>2,971,052</u>	<u>1,153,780</u>	<u>202,585</u>	<u>446,837</u>	<u>-</u>	<u>649,422</u>	<u>3,475,410</u>
Undistributed Endowment Gains							
Animal Related	(163)	3,452	-	-	968	968	2,321
Conservation	20,657	3,079	-	-	-	-	23,736
	<u>20,494</u>	<u>6,531</u>	<u>-</u>	<u>-</u>	<u>968</u>	<u>968</u>	<u>26,057</u>
Total Purpose Restrictions	<u>5,398,058</u>	<u>3,096,380</u>	<u>225,638</u>	<u>1,442,164</u>	<u>205,538</u>	<u>1,873,340</u>	<u>6,621,098</u>
Time Restrictions							
Beneficial interest in charitable lead trust	1,360,147	52,916	-	-	110,327	110,327	1,302,736
Graham Charitable Remainder Trust	180,229	2,736	-	-	-	-	182,965
Haggard Charitable Remainder Trust (1)	40,164	803	-	-	-	-	40,967
Haggard Charitable Remainder Trust (2)	26,439	529	-	-	-	-	26,968
Johnston Charitable Remainder Trust	33,275	2,356	-	-	-	-	35,631
Land	248,500	-	-	-	-	-	248,500
Peters Charitable Remainder Trust	24,542	227	-	-	-	-	24,769
Total Time Restrictions	<u>1,913,296</u>	<u>59,567</u>	<u>-</u>	<u>-</u>	<u>110,327</u>	<u>110,327</u>	<u>1,862,536</u>
Total Temporarily Restricted Net Assets	<u>\$ 7,311,354</u>	<u>\$ 3,155,947</u>	<u>\$ 225,638</u>	<u>\$ 1,442,164</u>	<u>\$ 315,865</u>	<u>\$ 1,983,667</u>	<u>\$ 8,483,634</u>

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Sales		
Gift shop sales	\$ 2,240,979	\$ 1,128,109
Less sales discounts	(140,334)	(38,290)
Net sales	<u>2,100,645</u>	<u>1,089,819</u>
Inventories at beginning of year	313,755	320,115
Purchases	828,911	431,937
	<u>1,142,666</u>	<u>752,052</u>
Less inventories at end of year	351,980	313,755
Total cost of sales	<u>790,686</u>	<u>438,297</u>
Gross profit from gift shops	<u>1,309,959</u>	<u>651,522</u>
Other operating income		
Rentals*	123,294	-
Operating expenses		
Bank charges	30,982	13,258
Computer support	18,235	2,373
Depreciation	28,023	15,898
Dues and subscriptions	47	173
Freight-in	658	83
General insurance	3,583	2,543
Group benefits	91,439	67,861
Liquidation	13,404	1,313
Loss on damaged goods	7,293	6,097
Mail order	231	124
Miscellaneous	2,487	1,565
Payroll taxes	33,660	16,003
Repairs and maintenance	1,162	1,579
Salaries	381,370	194,593
Supplies	5,473	1,395
Telephone	9,595	10,378
Training/Conferences/Mileage	7,350	2,522
Utilities	6,112	5,417
Warehouse services	35,664	-
	<u>676,768</u>	<u>343,175</u>
Net revenue from gift shops	<u>\$ 756,485</u>	<u>\$ 308,347</u>

*The North Carolina Zoological Park receives the net proceeds generated through rental of strollers and wheel chairs. The strollers and wheel chairs are provided to the Society through a lease arrangement between Scooterbug, Inc. and the N.C. Department of Environment and Natural Resources.

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Animal Welfare and Enrichment	\$ 149,187	\$ 91,226
Conservation Programs and Initiatives	604,107	890,947
Design Programs and Initiatives	89,066	34,696
Education Programs and Initiatives	78,744	142,491
Horticulture Programs and Initiatives	65,097	70,755
Park Program Services	267,712	693,880
Planning and Facilities	466,236	496,559
Professional Services	33,990	64,742
Veterinary Programs and Initiatives	194,747	152,948
Zoo Operational Support	700,270	-
Zoo Personnel, Supplements, Travel and Training	270,894	222,765
Zoo Visitor Growth and Awareness	589,860	271,338
Zoo Welfare Initiatives	18,147	20,968
	<u>\$ 3,528,057</u>	<u>\$ 3,153,315</u>

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Annual report	\$ 1,270	\$ 2,527
Auto expense	394	1,402
Bad debt	24,750	2,000
Bank card charges	16,786	18,336
Computer support	17,889	18,791
Depreciation	34,935	24,903
Donor cultivation	9,572	4,412
Dues and subscriptions	2,858	11,454
General insurance	12,684	16,867
Group benefits	108,146	134,296
Magazine	45,169	44,951
Mailing services	7,097	-
Meetings	29	-
Membership incentives	2,123	2,800
Miscellaneous	1,397	1,222
New member solicitation	-	1,264
Office supplies	7,650	5,772
On-site sales	-	518
Payroll taxes	40,200	39,875
Planned giving	1,430	-
Postage	14,671	15,234
Printing	8,028	8,243
Professional services	17,308	14,148
Repairs and maintenance	9,249	10,092
Research and education	-	1,000
Returns/redeposits	85	799
Salaries	472,285	480,643
Telephone	9,469	11,318
Training, conferences & travel	6,774	4,600
	<u>\$ 872,248</u>	<u>\$ 877,467</u>
Total membership expenses	<u>\$ 872,248</u>	<u>\$ 877,467</u>

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Annual report	\$ 1,102	\$ -
Auto	174	686
Computer support	1,712	1,488
Depreciation	3,346	1,351
Dues and subscriptions	797	538
General insurance	1,153	1,596
Group benefits	12,002	11,587
Meetings	2,988	4,117
Miscellaneous	1,327	1,453
Office supplies	2,427	1,470
Payroll taxes	5,266	3,944
Postage	2,339	1,618
Professional services	1,675	12,223
Repairs and maintenance	811	653
Salaries	65,290	43,959
Telephone	3,089	1,442
Training, conferences & travel	783	1,413
	<u> </u>	<u> </u>
Total management and general expenses	<u>\$ 106,281</u>	<u>\$ 89,538</u>

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Auto expense	\$ 243	\$ -
Bad debt	-	2,866
Bank card charges	16,786	18,995
Computer support	6,053	6,043
Depreciation	10,595	7,366
Donor cultivation	4,333	12,322
Dues and subscriptions	2,780	2,303
General insurance	3,921	4,863
Group benefits	40,454	37,613
Mailing services	1	3,457
Meetings	137	50
Miscellaneous	986	1,096
New member solicitation	78,096	67,135
Office supplies	3,627	4,908
On-site sales	-	16
Payroll taxes	17,102	13,110
Planned giving	7,975	6,336
Postage	5,164	12,671
Printing	4,252	40
Professional services	5,304	4,603
Repairs and maintenance	2,869	2,660
Salaries	202,761	150,995
Telephone	3,588	3,507
Training, conferences & travel	5,507	6,024
	<u>5,507</u>	<u>6,024</u>
Total fund raising expenses	<u>\$ 422,534</u>	<u>\$ 368,979</u>

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

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Special Projects - Program Services</u>		
Adopt an Animal	\$ 2,012	\$ 2,334
Field Conservation	-	2,379
Learning Center	14,062	19,291
Membership Special Programs	3,885	9,081
Travel Program	4,106	3,174
Vet Camps	5,211	10,231
Wildlife Rehab Center	453	99
Total Special Projects - Program Services	<u>29,729</u>	<u>46,589</u>
<u>Special Projects - Other</u>		
Annual Giving	16,564	15,537
Conservation Endowment Program	1,045	946
Corporate Membership	5,074	5,374
Gifts-in-Kind	103,837	65,280
President's Club and Conservator's Circle	2,900	454
Promotions	8,150	9,453
Randolph Friends of the Zoo	3,112	2,671
Social Media & Outreach	-	12,815
Sylvan Heights	-	35,131
Zoo To Do	97,044	91,628
Total Special Projects - Other	<u>237,726</u>	<u>239,289</u>
Total special projects expenses	<u>\$ 267,455</u>	<u>\$ 285,878</u>