



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

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION**

*As of and for the Years Ended December 31, 2013
and 2012*

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	8-22
ACCOMPANYING INFORMATION	
Report of Independent Auditor on Accompanying Information	23
Schedule 1 - Schedules of Unrestricted Contributions and Special Projects	24
Schedule 2 - Schedule of Temporarily Restricted Support and Net Assets	25-27
Schedule 3 - Schedules of Revenue – Gift Shops, Net of Direct Costs	28
Schedule 4 - Summary of Program Support	29
Schedule 5 - Schedules of Program Services – Membership Expenses	30
Schedule 6 - Schedules of Management and General Expenses	31
Schedule 7 - Schedules of Fund Raising Expenses	32
Schedule 8 - Schedules of Special Projects Expenses	33

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Organization and Business

STATE OF INCORPORATION

North Carolina

MAIN FACILITY

Asheboro, North Carolina

DIRECTORS

Nicole A. Crawford
J. Keith Crisco
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.
Charles M. Winston, Jr.

OFFICERS

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

Chair
Vice Chair
Treasurer
Secretary

Cheryl Turner
John E. Skyarla III
Brad Ives
Scott E. Reed

Executive Director
Secretary N.C.D.E.N.R
Asst. 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, 2013 and 2012, 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, 2013 and 2012, 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.



Asheboro, North Carolina
April 4, 2014

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

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 1,316,077	\$ 6,543,015
Investments	15,122,757	10,596,212
Beneficial interest in trust	107,442	93,327
Pledges receivable	545,423	696,986
Accounts receivable	58,752	20,533
Beneficial interest in charitable lead trust	1,244,518	1,302,736
Accrued interest	-	318
Inventory	341,244	351,980
Prepaid expenses	70,108	144,646
Cash surrender value of life insurance	4,506	4,586
Property and equipment, net of accumulated depreciation	3,143,569	3,025,260
Land available for sale	352,000	152,000
	<u>22,306,396</u>	<u>22,931,599</u>
Total assets	\$ 22,306,396	\$ 22,931,599
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 312,957	\$ 308,336
Liability under unitrust agreement	1,034,138	747,516
Debt	717,500	717,500
	<u>2,064,595</u>	<u>1,773,352</u>
Total liabilities	2,064,595	1,773,352
Net assets		
Unrestricted		
Board/Donor designated endowment	91,949	46,762
Board designated reserves	11,523,946	8,791,729
Undesignated	1,709,935	3,335,517
Total unrestricted	<u>13,325,830</u>	<u>12,174,008</u>
Temporarily restricted	6,374,075	8,483,634
Permanently restricted	541,896	500,605
	<u>20,241,801</u>	<u>21,158,247</u>
Total net assets	20,241,801	21,158,247
Total liabilities and net assets	\$ 22,306,396	\$ 22,931,599

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, 2013 AND 2012

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues, and reclassifications								
Contributions, grants and special projects	\$ 990,573	\$ 1,746,830	\$ 25,000	\$ 2,762,403	\$ 5,535,584	\$ 2,820,297	\$ 25,000	\$ 8,380,881
Membership dues	1,659,696	177,257	-	1,836,953	1,653,806	150,962	-	1,804,768
Gift shop revenue, net of total direct costs of \$1,418,866 (\$1,467,454 in 2012)	761,385	59,798		821,183	700,267	56,218		756,485
Investment income	268,273	28,087	329	296,689	219,288	24,788	342	244,418
Net unrealized and realized gains (losses)	894,102	49,121	15,962	959,185	490,098	48,030	12,938	551,066
Change in value of unitrust	-	13,076	-	13,076	-	2,736		2,736
Change in value of beneficial interest in charitable lead trust	-	52,109	-	52,109	-	52,916	-	52,916
Loss on disposal of property and equipment	(3,259)	-	-	(3,259)	(11)	-	-	(11)
Net assets released from restrictions								
Satisfaction of purpose requirements	4,235,837	(4,235,837)	-	-	1,983,667	(1,983,667)	-	-
Total public support, revenues and reclassifications	8,806,607	(2,109,559)	41,291	6,738,339	10,582,699	1,172,280	38,280	11,793,259
Expenses								
Program services								
Program support	6,054,667	-	-	6,054,667	3,528,057	-	-	3,528,057
Membership services	877,000	-	-	877,000	872,248	-	-	872,248
Special projects	30,871	-	-	30,871	29,729	-	-	29,729
Total program services	6,962,538	-	-	6,962,538	4,430,034	-	-	4,430,034
Supporting services								
Management and general	104,677	-	-	104,677	106,281	-	-	106,281
Special projects - other	196,760	-	-	196,760	237,726	-	-	237,726
Fund raising	390,810	-	-	390,810	422,534	-	-	422,534
Total expenses	7,654,785	-	-	7,654,785	5,196,575	-	-	5,196,575
Change in net assets	1,151,822	(2,109,559)	41,291	(916,446)	5,386,124	1,172,280	38,280	6,596,684
Net assets at beginning of year	12,174,008	8,483,634	500,605	21,158,247	6,787,884	7,311,354	462,325	14,561,563
Net assets at end of year	\$ 13,325,830	\$ 6,374,075	\$ 541,896	\$ 20,241,801	\$ 12,174,008	\$ 8,483,634	\$ 500,605	\$ 21,158,247

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (916,446)	\$ 6,596,684
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	78,582	84,991
Donation of equipment	5,133	-
Loss on disposal of equipment	3,259	11
Donated land included in contribution revenue	(200,000)	(152,000)
Net unrealized and realized (gain) loss on investments	(959,185)	(551,066)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(38,219)	22,965
(Increase) decrease in pledges receivable	151,563	83,119
(Increase) decrease in beneficial interest in charitable lead trust	58,218	57,411
(Increase) decrease in accrued interest receivable	318	420
(Increase) decrease in inventory	10,736	(38,225)
(Increase) decrease in other assets	74,618	(80,742)
Increase (decrease) in accounts payable and accrued expenses	4,621	12,754
Increase (decrease) in liability under unitrust agreement	38,691	11,180
	<u>(1,688,111)</u>	<u>6,047,502</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(205,283)	(356,804)
Gross proceeds from sale of asset	-	104
Net increase in investments	<u>(3,333,544)</u>	<u>(904,771)</u>
Net cash used in investing activities	<u>(3,538,827)</u>	<u>(1,261,471)</u>
Net increase (decrease) in cash and cash equivalents	(5,226,938)	4,786,031
Cash and cash equivalents at beginning of year	<u>6,543,015</u>	<u>1,756,984</u>
Cash and cash equivalents at end of year	<u>\$ 1,316,077</u>	<u>\$ 6,543,015</u>
Supplemental information		
Interest paid	<u>\$ 12,599</u>	<u>\$ 12,841</u>
Non-cash activity		
Increase in liability under unitrust agreement resulting from donor gift	<u>\$ 247,931</u>	<u>\$ -</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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.

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 \$862,246 and \$394,797 during the years ended 2013 and 2012, 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, 2013 and 2012, in-kind support in the amount of \$59,312 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, 2013 AND 2012

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 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.

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, 2013. 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, 2013. The Society's tax returns for tax years 2010 through 2013 are subject to examination as of December 31, 2013.

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 13. 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, 2013 AND 2012

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.

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. The approximate allocations of the underlying investments within the beneficial interest in trust at December 31, 2013 are as follows: Level 1 – 40%, Level 2 – 36%, and Level 3 – 24%.

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, 2013 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, 2013 and 2012, the Society had \$772,618 and \$5,338,654, respectively, which exceeded these insured or collateralized amounts.

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

DECEMBER 31, 2013 AND 2012

Note 3—Investments

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

	December 31, 2013			December 31, 2012		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
General						
Certificates of deposit	\$ -	\$ -	\$ -	\$ 294,223	\$ 294,223	\$ -
U.S. Government obligations	1,364,841	1,357,552	(7,289)	848,866	883,439	34,573
Marketable corporate securities	5,169,898	6,130,088	960,190	3,001,701	3,239,794	238,093
Other complimentary strategies	136,433	139,131	2,698	184,429	185,663	1,234
Real asset funds	384,344	404,751	20,407	225,744	226,079	335
Stock and bond mutual funds	<u>4,742,721</u>	<u>4,688,991</u>	<u>(53,730)</u>	<u>3,874,976</u>	<u>3,902,986</u>	<u>28,010</u>
	<u>11,798,237</u>	<u>12,720,513</u>	<u>922,276</u>	<u>8,429,939</u>	<u>8,732,184</u>	<u>302,245</u>
Investments held in Trust						
Certificates of deposit	50,000	49,996	(4)	-	-	-
Money market funds	205,413	205,413	-	32,969	32,969	-
Marketable corporate securities	204,040	427,305	223,265	374,371	434,088	59,717
Stock and bond mutual funds	<u>606,602</u>	<u>604,544</u>	<u>(2,058)</u>	<u>460,611</u>	<u>463,424</u>	<u>2,813</u>
	<u>1,066,055</u>	<u>1,287,258</u>	<u>221,203</u>	<u>867,951</u>	<u>930,481</u>	<u>62,530</u>
Endowments						
U.S. Government obligations	119,941	119,085	(856)	42,861	45,225	2,364
Marketable corporate securities	478,101	575,912	97,811	396,433	417,771	21,338
Real asset funds	56,094	59,072	2,978	41,380	41,441	61
Other complimentary strategies	19,912	20,306	394	33,806	34,033	227
Stock and bond mutual funds	<u>342,148</u>	<u>340,611</u>	<u>(1,537)</u>	<u>381,088</u>	<u>395,077</u>	<u>13,989</u>
	<u>1,016,196</u>	<u>1,114,986</u>	<u>98,790</u>	<u>895,568</u>	<u>933,547</u>	<u>37,979</u>
	<u>\$13,880,488</u>	<u>\$15,122,757</u>	<u>\$1,242,269</u>	<u>\$10,193,458</u>	<u>\$10,596,212</u>	<u>\$402,754</u>

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

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	\$ 268,273	\$ 28,087	\$ 329	\$ 296,689	\$219,288	\$24,788	\$ 342	\$244,418
Realized and unrealized gain (loss)	<u>894,102</u>	<u>49,121</u>	<u>15,962</u>	<u>959,185</u>	<u>490,098</u>	<u>48,030</u>	<u>12,938</u>	<u>551,066</u>
	<u>\$1,162,375</u>	<u>\$ 77,208</u>	<u>\$16,291</u>	<u>\$1,255,874</u>	<u>\$709,386</u>	<u>\$ 72,818</u>	<u>\$13,280</u>	<u>\$795,484</u>

Investment income from regular investments and endowments for 2013 is net of \$66,672 and \$5,652 in administrative fees, respectively. Investment income from regular investments and endowments for 2012 is net of \$53,065 and \$5,553 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, 2013 AND 2012

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, 2013			Total Fair Value
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Money market funds	\$ -	\$ 942,232	\$ -	\$ 942,232
Certificates of deposit	-	49,996	-	49,996
Domestic and international equities	7,133,305	-	-	7,133,305
Real asset funds	463,823	-	-	463,823
Fixed income - bonds	-	2,104,350	-	2,104,350
Fixed income - mutual funds	5,165,870	-	-	5,165,870
Beneficial interest in trust	-	-	107,442	107,442
	<u>\$ 12,762,998</u>	<u>\$ 3,096,578</u>	<u>\$ 107,442</u>	<u>\$ 15,967,018</u>

	As of December 31, 2012			Total Fair Value
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
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>

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 2013 and 2012.

During the years ended December 31, 2013 and 2012, 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, 2013 AND 2012

Note 3—Investments (continued)

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

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

	<u>2013</u>	<u>2012</u>
Beneficial interest in trust	\$ 107,442	\$ 93,327
Included in cash and cash equivalents	736,819	4,925,670
Investments	<u>15,122,757</u>	<u>10,596,212</u>
	<u>\$ 15,967,018</u>	<u>\$ 15,615,209</u>

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:

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Beginning fair value	\$ 93,327	\$ 87,213
Dividends and interest	1,039	802
Unrealized gains (losses)	13,403	9,320
Realized gains	587	252
Capital gains distributions	192	823
Fees	(1,106)	(1,016)
Distributions	<u>-</u>	<u>(4,067)</u>
Ending fair value	<u>\$ 107,442</u>	<u>\$ 93,327</u>

Note 5—Pledges receivable

Pledges receivable consist of the following:

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Membership pledges	\$ 71,837	\$ 48,996
Other pledges	<u>492,216</u>	<u>669,129</u>
Gross pledges receivable	564,053	718,125
Less: Discount to net present value	(630)	(3,139)
Less: Allowance for uncollectible contributions	<u>(18,000)</u>	<u>(18,000)</u>
Net pledges receivable	<u>\$545,423</u>	<u>\$696,986</u>

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

DECEMBER 31, 2013 AND 2012

Note 5—Pledges receivable (continued)

	December 31	
	<u>2013</u>	<u>2012</u>
Amounts due in		
Less than one year	\$358,873	\$429,751
One to five years	<u>205,180</u>	<u>288,374</u>
	<u>\$564,053</u>	<u>\$718,125</u>

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 and 2013	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. The Trust satisfied their pledge commitment in full during 2013.

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 or when additional gifts are made by the donors. Assets held in the charitable remainder trust totaled \$1,287,258 and \$930,481 at December 31, 2013 and 2012 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 (\$1,034,138 and \$747,516 at December 31, 2013 and 2012) is calculated using a discount rate of 5% and applicable mortality tables. The total gifts to the trust during 2013 were \$305,010 resulting in contribution revenue of \$57,079 and an increase of \$247,931 in the Society's liability under the unitrust agreement. There were no gifts to the trust during 2012.

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 2013 and 2012, 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 \$52,109 and \$52,916 in 2013 and 2012, respectively.

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

DECEMBER 31, 2013 AND 2012

Note 6—Split interest agreements (continued)

	December 31	
	2013	2012
Beneficial interest in charitable lead trust		
Beginning of year	\$1,302,736	\$1,360,147
Change in value	52,109	52,916
Payment from charitable lead trust	<u>(110,327)</u>	<u>(110,327)</u>
End of year	<u>\$1,244,518</u>	<u>\$1,302,736</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, \$41,786 and \$27,508 as its interest in these 3 unitrusts through December 31, 2013.

Note 7—Property and equipment

A summary of property and equipment follows:

	December 31	
	2013	2012
Land improvements	\$ 7,564	\$ 1,250
Land	2,080,485	2,080,485
Buildings and improvements	1,233,221	1,062,557
Fixtures and equipment – gift shops	97,258	126,861
Furniture and equipment – office	221,508	302,812
Automobiles	78,045	77,215
Leasehold improvements	<u>77,117</u>	<u>73,370</u>
	3,795,198	3,724,550
Less accumulated depreciation	<u>651,629</u>	<u>699,290</u>
	<u>\$ 3,143,569</u>	<u>\$ 3,025,260</u>

Note 8—Debt

Debt consists of the following:

	December 31	
	2013	2012
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% (1.6875% at December 31, 2013). The loan is collateralized by investments held in an account at the same financial institution. At December 31, 2013, funds in that account totaled \$8,638,604. 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, 2013 AND 2012

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 – 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 Zoo 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 12 for details of Board-designated reserves.

Note 10—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>Purpose restrictions</u>	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Animal welfare and initiatives	\$ 112,980	\$ 122,978
Horticulture programs and initiatives	28,364	31,928
Veterinary programs and initiatives	1,235,001	1,312,199
Design programs and initiatives	169,444	215,884
Education programs and initiatives	31,784	38,590
Zoo visitor growth and awareness	5,487	25,343
Conservation programs and initiatives	1,524,440	1,372,709
Planning and facilities	1,191,787	3,475,410
Undistributed endowment gains	<u>33,586</u>	<u>26,057</u>
Total purpose restrictions	<u>4,332,873</u>	<u>6,621,098</u>

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

DECEMBER 31, 2013 AND 2012

Note 10—Temporarily restricted net assets (continued)

	December 31	
	<u>2013</u>	<u>2012</u>
Time restrictions		
Beneficial interest in charitable lead trust	\$1,244,518	\$1,302,736
Graham charitable remainder trust	253,120	182,965
Haggard charitable remainder trusts	69,295	67,935
Johnston charitable remainder trust	-	35,631
Land for wildlife preserve	448,500	248,500
Peters charitable remainder trust	<u>25,769</u>	<u>24,769</u>
Total time restrictions	<u>2,041,202</u>	<u>1,862,536</u>
Total temporarily restricted net assets	<u>\$6,374,075</u>	<u>\$8,483,634</u>

Note 11—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:

	December 31	
	<u>2013</u>	<u>2012</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.	\$ 68,405	\$ 62,587
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.	106,403	95,930
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.	100,000	75,000
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>\$541,896</u>	<u>\$500,605</u>

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

DECEMBER 31, 2013 AND 2012

Note 12—Board-designated unrestricted net assets

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

	<u>2013</u>	<u>2012</u>
Animal welfare and enrichment	\$ 69,909	\$ 41,919
Conservation programs and initiatives	84,846	66,067
Design programs and initiatives	3,039	1,039
Education programs and initiatives	66,506	56,304
Emergency reserve	750,670	677,160
Horticulture programs and initiatives	106,826	77,879
Lion's Pride	9,802,524	7,514,786
Planning and facilities	375,868	61,868
Professional services	10,776	10,776
Veterinary programs and initiatives	37,854	43,269
Zoo visitor growth and awareness	122,537	138,427
Zoo personnel, supplements, travel and training	<u>92,591</u>	<u>102,235</u>
	<u>\$11,523,946</u>	<u>\$8,791,729</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 other funds for ongoing projects. The following is a summary of the project, commitment and amount expended as of December 31, 2013.

<u>Project</u>	<u>Commitment</u>	<u>Expended</u>
Polar Bear Expansion Project	\$ 2,950,000	\$ 2,549,937
Ocelot Project	650,000	61,964
Service Support Facility	750,000	35,742
Kids Zone	150,000	117,449

Note 13—In-kind donated materials, land and services

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

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Program support Utilized by the Society	\$ 41,429	\$304,475
Management and general	85,976	103,837
Land	200,000	152,000
Special projects (Zoo to Do)	<u>17,128</u>	<u>24,522</u>
	<u>\$344,533</u>	<u>\$584,834</u>

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

DECEMBER 31, 2013 AND 2012

Note 14—Operating leases

The Society has two noncancelable operating leases for office equipment. Rental expense for leases consisted of \$10,130 and \$10,926 for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease payments under the operating lease as of December 31, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 10,395
2015	8,168
2016	4,068
2017	4,068
2018	<u>4,068</u>
	<u>\$ 30,767</u>

Note 15—Retirement plan

The Society participates in a defined contribution plan administered by Mutual of America. Employees who are paid on an hourly basis and over the age of 21 are eligible to participate after one year of service, after which the Society contributes 7% for 2013 and 2012 of participating employees' annual salary. Vesting of employees' benefits under the plan occurs after three years. The cost of the plan for 2013 and 2012 was \$75,826 and \$70,327, respectively.

Note 16—Related party transactions

Included in pledges receivable as of December 31, 2013 and 2012 are \$7,765 and \$16,588 due from various related parties.

Included in accrued expenses as of December 31, 2013 and 2012 are \$143,681 and \$139,744 due to related parties, including \$137,560 and \$135,828, respectively, due to the North Carolina Zoological Park.

Note 17—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.

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

DECEMBER 31, 2013 AND 2012

Note 17—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, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 45,567	\$ 500,000	\$ -	\$ 545,567
Donor-restricted endowment funds	46,379	158,630	541,896	746,905
Total funds	<u>\$ 91,946</u>	<u>\$ 658,630</u>	<u>\$ 541,896</u>	<u>\$ 1,292,472</u>

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

DECEMBER 31, 2013 AND 2012

Note 17—Endowment funds (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

Changes in Endowment Net Assets as of December 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 46,762	\$ 605,250	\$ 500,605	\$ 1,152,617
Contributions	-	-	25,000	25,000
Investment income	5,828	22,822	329	28,979
Net appreciation (realized and unrealized)	39,356	45,738	15,962	101,056
Amounts appropriated for expenditures	-	(15,180)	-	(15,180)
Endowment net assets, end of year	<u>\$ 91,946</u>	<u>\$ 658,630</u>	<u>\$ 541,896</u>	<u>\$ 1,292,472</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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 appreciation (realized and unrealized)	29,234	48,030	12,938	90,202
Amounts appropriated for expenditures	(3,099)	(3,064)	-	(6,163)
Endowment net assets, end of year	<u>\$ 46,762</u>	<u>\$ 605,250</u>	<u>\$ 500,605</u>	<u>\$ 1,152,617</u>

Note 18—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 NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 19—Subsequent events

The Society has evaluated subsequent events through April 4, 2014, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

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, 2013 and 2012, and have issued our report thereon dated April 4, 2014, 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 24-33 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 4, 2014

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

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Contributions	\$ 589,150	\$ 5,119,552
Membership projects		
Membership discount tickets	67,480	70,037
Travel program	1,900	5,549
Education projects		
Contributions and receipts	72,095	84,500
Other projects		
Combo tickets	113,913	187,007
Learning Center	23,437	16,208
President's Club and Conservator's Circle	106,600	37,630
Miscellaneous	<u>15,998</u>	<u>15,101</u>
Total unrestricted contributions and special projects	<u>\$ 990,573</u>	<u>\$ 5,535,584</u>

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

YEAR ENDED DECEMBER 31, 2013

<u>Description</u>	<u>Temporarily Restricted Net Assets 12/31/2012</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 12/31/2013</u>
<u>Purpose Restrictions</u>							
Animal Welfare and Initiatives							
AAZK	\$ 1,800	\$ 61,788	\$ -	\$ 63,588	\$ -	\$ 63,588	\$ -
Animal Welfare	9,571				-	-	9,571
Animals and Animal Care	31,693	1,230		20,371	-	20,371	12,552
Box Turtle Project	993				-	-	993
Box Turtle Conference	-	8,655		5,904	-	5,904	2,751
Cape Fear Shiner Project	5,911				-	-	5,911
Enrichment & Training	38,739	20,118	2,961	12,629	-	15,590	43,267
Gorilla Conference	1,099			550	-	550	549
Kendall Project	5,510	394		797	-	797	5,107
Thomson's Gazelle	7,295			5,600	-	5,600	1,695
Tropical Bird Research - Costa Rica	453	217			-	-	670
Welfare of Animals	19,914	10,000				-	29,914
	<u>122,978</u>	<u>102,402</u>	<u>2,961</u>	<u>109,439</u>	<u>-</u>	<u>112,400</u>	<u>112,980</u>
Horticulture Programs and Initiatives							
AZH Conservation Grant	3,759			3,620	-	3,620	139
Butterfly Garden	255				-	-	255
Hiking Trails	3,999				-	-	3,999
Horticulture	299	3,202	523		-	523	2,978
Horticulture Fund	5,703	152		364	-	364	5,491
Plant Conservation Day Activities	2,500				-	-	2,500
Plant Conservation Field Programs	14,873	7,510		9,921	-	9,921	12,462
Ridges Mountain	540				-	-	540
	<u>31,928</u>	<u>10,864</u>	<u>523</u>	<u>13,905</u>	<u>-</u>	<u>14,428</u>	<u>28,364</u>
Education Programs and Initiatives							
Educational Programs	11,098	6,845	1,167	468	-	1,635	16,308
Field Trip Earth	18,692	25		4,206	-	4,206	14,511
Education	8,307	(1,364)		5,978	-	5,978	965
Uganda Scholarship Program	318	8,577		8,895	-	8,895	-
Volunteer Programs	175	1,364		1,539	-	1,539	-
	<u>38,590</u>	<u>15,447</u>	<u>1,167</u>	<u>21,086</u>	<u>-</u>	<u>22,253</u>	<u>31,784</u>
Zoo Visitor Growth and Awareness							
Community Outreach	-	5,440		1,950	-	1,950	3,490
Dinosaurs	8,141	500		7,194	-	7,194	1,447
Marketing Sponsorships	17,202	15,000		31,652	-	31,652	550
	<u>25,343</u>	<u>20,940</u>	<u>-</u>	<u>40,796</u>	<u>-</u>	<u>40,796</u>	<u>5,487</u>
Design Programs and Initiatives							
Artwork Maintenance	19,902			6,361	-	6,361	13,541
Digital Information	6,670			150	-	150	6,520
Exhibit Maintenance	1,781				-	-	1,781
Honey Bee Exhibit	10,077			1,144	-	1,144	8,933
NCZP Arts Program Support	13,109	7,652		9,049	-	9,049	11,712
Polar Bear Art & Interpretives	164,345	(28,000)		9,388	-	9,388	126,957
	<u>215,884</u>	<u>(20,348)</u>	<u>-</u>	<u>26,092</u>	<u>-</u>	<u>26,092</u>	<u>169,444</u>

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

YEAR ENDED DECEMBER 31, 2013

<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>12/31/2012</u>	<u>Support</u>		<u>Support</u>	<u>Releases</u>	<u>Released</u>	<u>12/31/2013</u>
Conservation Programs and Initiatives							
Acres for the Atmosphere	\$ 8,196	\$ 6,557	\$ -	\$ 572	\$ -	\$ 572	\$ 14,181
Amphibian Crisis Fund	39,072	500		195	-	195	39,377
Apes Across Africa	-	40,000			-	-	40,000
AZA - Conservation Endowment Program	545	606	545		-	545	606
Chimp - Conservation	1,416	2,092		2,100	-	2,100	1,408
Chimp - Hondo Memorial	1,325				-	-	1,325
Conservation Medicine	9,607	3,350		2,620	-	2,620	10,337
Crocodylian Conservation	98				-	-	98
Cross River Gorillas	7,009	11,525		10,591	-	10,591	7,943
Cross River Gorillas Monitoring System	75	39,312			-	-	39,387
Field Conservation & Research	53,376	84,666	10,439	27,043	-	37,482	100,560
Field Conservation & Research	-	211,995		179,176	-	179,176	32,819
Field Conservation & Research BSP	14,250			3,694	-	3,694	10,556
Field Programs	11,288	6,000		6,060	-	6,060	11,228
Gorilla Tracking Dogs	6,907	75			-	-	6,982
Great Ape Video	18,230	56,541		70,445	-	70,445	4,326
Lucille Stickle Fund	2,464	2,469			-	-	4,933
Native Wildlife	6,120	6,262		4,208	-	4,208	8,174
Polar Bear Field Conservation	-	1,448			-	-	1,448
Sylvan Heights General Operating	36,365	159,705		286,265	(110,327)	175,938	20,132
Sylvan Heights Landing Zone	3,547			3,547	-	3,547	-
Sylvan Heights Phase I, II & III	102,837	50		13,612	-	13,612	89,275
Sylvan Heights White Mill Pond	47,500				-	-	47,500
UNITE Cleveland Zoo Society Grant	-	2,000			-	-	2,000
UNITE Conservation Education	-	2,335		1,165	-	1,165	1,170
UNITE School Construction	4,363	4,361		4,678	-	4,678	4,046
Wildlife Habitat Acquisition & Management	998,119	28,991		2,481		2,481	1,024,629
	<u>1,372,709</u>	<u>670,840</u>	<u>10,984</u>	<u>618,452</u>	<u>(110,327)</u>	<u>519,109</u>	<u>1,524,440</u>
Veterinary Programs and Initiatives							
Diagnostic Vet Equipment	716	10,000		9,665	-	9,665	1,051
Elephant Tracking Program	-	1,009		(1,559)	-	(1,559)	2,568
Endoscope	6,957			58	-	58	6,899
Imaging Equipment	-	5,000			-	-	5,000
Loomis Flexible Fund	3,264			615	-	615	2,649
Pachyderm Breeding Center	463,850			34,223	-	34,223	429,627
Season Nutritional Effects on Elephants	6,017			2,949	-	2,949	3,068
Vet Camp Proceeds	35,402	40,176	6,128	22,314	-	28,442	47,136
Vet Camp Sponsorships	276				-	-	276
Veterinary - Daldorf Fund	103,191	8,648		7,334	-	7,334	104,505
Wildlife Learning Center Intern	646	329		68	-	68	907
Wildlife Learning Center Operating	7,836	40,617	49	30,028	-	30,077	18,376
Wildlife Rehabilitation Caging	2,061				-	-	2,061
Wildlife Rehabilitation Scholarship	35,611				-	-	35,611
WRC & Learning Center Operating	646,372	40,848		2,815	109,138	111,953	575,267
	<u>1,312,199</u>	<u>146,627</u>	<u>6,177</u>	<u>108,510</u>	<u>109,138</u>	<u>223,825</u>	<u>1,235,001</u>

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

YEAR ENDED DECEMBER 31, 2013

<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>12/31/2012</u>	<u>Support</u>		<u>Support</u>	<u>Releases</u>	<u>Net Assets</u>	<u>12/31/2013</u>
Planning and Facilities							
Benches	\$ 5,365	\$ 2,000	\$ -	\$ 2,841	\$ -	\$ 2,841	\$ 4,524
Change in Governance	10,000	-	-	-	-	-	10,000
Elephant/Rhino Exhibits	2,362	-	-	-	-	-	2,362
Endowment for Zoo Needs	9,623	-	-	-	-	-	9,623
Gorilla Shade Structure	-	92,484	-	5,540	-	5,540	86,944
KidZone	379,931	13,000	-	312,404	-	312,404	80,527
KidZone Training & Research Center	9,152	-	-	163	-	163	8,989
Marsh Renovation	158,646	-	-	141,549	-	141,549	17,097
New African Exhibit	686	-	-	-	-	-	686
Ocelot	242,386	60,683	-	47,757	-	47,757	255,312
Playful Pedagogy	-	70,000	-	5,022	-	5,022	64,978
Polar Bear Capital	2,396,095	65,778	-	2,202,675	-	2,202,675	259,198
Polar Bear Sculpture	5,000	-	-	5,000	-	5,000	-
Cori Palermo Memorial	1,403	-	-	-	-	-	1,403
David M. Holt Memorial	10,100	2,500	-	-	-	-	12,600
GIK Society Used	-	85,926	85,926	-	-	85,926	-
GIK Transferred to the Park	-	17,819	-	17,819	-	17,819	-
Global Welfare Position	67,111	71,290	-	138,401	-	138,401	-
Iwerks Revolving Fund	23,034	-	-	96	-	96	22,938
Pisgah Covered Bridge	6,074	-	-	3,534	-	3,534	2,540
RFOZ Grants	16,086	7,500	-	11,478	-	11,478	12,108
Rocky Coast	2,918	90	-	-	-	-	3,008
Service Support Storage Facility	68,924	203,754	79,715	35,742	-	115,457	157,221
Shade Structures	5,178	-	-	-	-	-	5,178
Skype Program	-	5,000	-	105	-	105	4,895
Steve Thornburg Tract Renovation	476	-	-	106	-	106	370
Tiger Exhibit	50,034	10,100	-	-	-	-	60,134
Zoo Repair & Renovation	4,826	4,426	-	-	-	-	9,252
Zoo Wireless	-	120,000	-	20,100	-	20,100	99,900
	<u>3,475,410</u>	<u>832,350</u>	<u>165,641</u>	<u>2,950,332</u>	<u>-</u>	<u>3,115,973</u>	<u>1,191,787</u>
Undistributed Endowment Gains							
Animal Related	2,321	4,572	-	-	-	-	6,893
Conservation	23,736	2,957	-	-	-	-	26,693
	<u>26,057</u>	<u>7,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,586</u>
Total Purpose Restrictions	<u>6,621,098</u>	<u>1,786,651</u>	<u>187,453</u>	<u>3,888,612</u>	<u>(1,189)</u>	<u>4,074,876</u>	<u>4,332,873</u>
Time Restrictions							
Beneficial interest in charitable lead trust	1,302,736	52,109	-	-	110,327	110,327	1,244,518
Graham Charitable Remainder Trust	182,965	70,155	-	-	-	-	253,120
Haggard Charitable Remainder Trust (1)	40,967	820	-	-	-	-	41,787
Haggard Charitable Remainder Trust (2)	26,968	540	-	-	-	-	27,508
Johnston Charitable Remainder Trust	35,631	14,999	-	-	50,630	50,630	-
Land	248,500	200,000	-	-	-	-	448,500
Peters Charitable Remainder Trust	24,769	1,000	-	-	-	-	25,769
Total Time Restrictions	<u>1,862,536</u>	<u>339,623</u>	<u>-</u>	<u>-</u>	<u>160,957</u>	<u>160,957</u>	<u>2,041,202</u>
Total Temporarily Restricted Net Assets	<u>\$ 8,483,634</u>	<u>\$ 2,126,274</u>	<u>\$ 187,453</u>	<u>\$ 3,888,612</u>	<u>\$ 159,768</u>	<u>\$ 4,235,833</u>	<u>\$ 6,374,075</u>

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

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Sales		
Gift shop sales	\$ 2,247,611	\$ 2,240,979
Less sales discounts	<u>(127,852)</u>	<u>(140,334)</u>
Net sales	<u>2,119,759</u>	<u>2,100,645</u>
Inventories at beginning of year	351,980	313,755
Purchases	<u>762,837</u>	<u>828,911</u>
	1,114,817	1,142,666
Less inventories at end of year	<u>341,244</u>	<u>351,980</u>
Total cost of sales	<u>773,573</u>	<u>790,686</u>
Gross profit from gift shops	<u>1,346,186</u>	<u>1,309,959</u>
Other operating income		
Rentals*	120,290	123,294
Operating expenses		
Bank charges	32,674	30,982
Computer support	3,421	18,235
Depreciation	27,867	28,023
Dues and subscriptions	582	47
Freight-in	20,933	658
General insurance	3,383	3,583
Group benefits	102,150	91,439
Liquidation	-	13,404
Loss on damaged goods	7,096	7,293
Mail order	477	231
Miscellaneous	2,379	2,487
Payroll taxes	33,700	33,660
Repairs and maintenance	1,177	1,162
Salaries	371,366	381,370
Supplies	4,480	5,473
Telephone	8,235	9,595
Training/Conferences/Mileage	2,923	7,350
Utilities	4,552	6,112
Warehouse services	<u>17,898</u>	<u>35,664</u>
Total operating expenses	<u>645,293</u>	<u>676,768</u>
Net revenue from gift shops	<u>\$ 821,183</u>	<u>\$ 756,485</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Animal Welfare and Enrichment	\$ 105,610	\$ 149,187
Conservation Programs and Initiatives	548,332	604,107
Design Programs and Initiatives	169,405	89,066
Education Programs and Initiatives	79,718	78,744
Horticulture Programs and Initiatives	136,008	65,097
Park Program Services	270,411	267,712
Planning and Facilities	2,936,634	466,236
Professional Services	5,300	33,990
Veterinary Programs and Initiatives	161,405	194,747
Zoo Operational Support	762,157	700,270
Zoo Personnel, Supplements, Travel and Training	252,644	270,894
Zoo Visitor Growth and Awareness	488,642	589,860
Zoo Welfare Initiatives	138,401	18,147
	<u>\$ 6,054,667</u>	<u>\$ 3,528,057</u>

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

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Annual report	\$ 622	\$ 1,270
Auto expense	1,384	394
Bad debt	3,230	24,750
Bank card charges	15,889	16,786
Computer support	21,309	17,889
Depreciation	38,272	34,935
Donor cultivation	7,913	9,572
Dues and subscriptions	3,446	2,858
General insurance	16,913	12,684
Group benefits	144,837	108,146
Magazine	43,030	45,169
Mailing services	15,917	7,097
Meetings	1,404	29
Membership incentives	960	2,123
Miscellaneous	1,161	1,397
Office supplies	6,124	7,650
On-site sales	473	-
Payroll taxes	38,523	40,200
Planned giving	3,180	1,430
Postage	15,005	14,671
Printing	4,720	8,028
Professional services	23,154	17,308
Repairs and maintenance	9,860	9,249
Returns/redeposits	1,316	85
Salaries	442,104	472,285
Telephone	9,693	9,469
Training, conferences & travel	6,561	6,774
Total membership expenses	<u>\$ 877,000</u>	<u>\$ 872,248</u>

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

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Annual report	\$ 622	\$ 1,102
Auto	673	174
Computer support	2,061	1,712
Depreciation	1,992	3,346
Dues and subscriptions	823	797
General insurance	1,537	1,153
Group benefits	12,899	12,002
Meetings	1,584	2,988
Miscellaneous	1,140	1,327
Office supplies	1,795	2,427
Payroll taxes	5,411	5,266
Postage	1,558	2,339
Professional services	1,902	1,675
Repairs and maintenance	824	811
Salaries	64,040	65,290
Telephone	3,887	3,089
Training, conferences & travel	<u>1,929</u>	<u>783</u>
Total management and general expenses	<u>\$ 104,677</u>	<u>\$ 106,281</u>

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

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Auto expense	\$ 1,289	\$ 243
Bad debt	1,300	-
Bank card charges	15,889	16,786
Computer support	6,537	6,053
Depreciation	3,989	10,595
Donor cultivation	7,681	4,333
Dues and subscriptions	2,674	2,780
General insurance	5,228	3,921
Group benefits	49,220	40,454
Mailing services	-	1
Meetings	-	137
Miscellaneous	1,013	986
New member solicitation	46,957	78,096
Office supplies	2,247	3,627
Payroll taxes	16,475	17,102
Planned giving	3,180	7,975
Postage	3,261	5,164
Printing	1,573	4,252
Professional services	7,773	5,304
Repairs and maintenance	2,620	2,869
Salaries	203,650	202,761
Telephone	3,955	3,588
Training, conferences & travel	4,299	5,507
	<u>4,299</u>	<u>5,507</u>
Total fund raising expenses	<u>\$ 390,810</u>	<u>\$ 422,534</u>

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

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Special Projects - Program Services</u>		
Adopt an Animal	\$ 3,457	\$ 2,012
Learning Center	18,878	14,062
Membership Special Programs	-	3,885
Travel Program	1,192	4,106
Vet Camps	7,295	5,211
Wildlife Rehab Center	49	453
Total Special Projects - Program Services	<u>30,871</u>	<u>29,729</u>
<u>Special Projects - Other</u>		
Annual Giving	11,300	16,564
Conservation Endowment Program	545	1,045
Corporate Membership	3,837	5,074
Gifts-in-Kind	85,926	103,837
President's Club and Conservator's Circle	911	2,900
Promotions	10,439	8,150
Randolph Friends of the Zoo	4,087	3,112
Zoo To Do	79,715	97,044
Total Special Projects - Other	<u>196,760</u>	<u>237,726</u>
 Total special projects expenses	 <u>\$ 227,631</u>	 <u>\$ 267,455</u>