



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

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION**

*As of and for the Years Ended December 31, 2014
and 2013*

And Report of Independent Auditor

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

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THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Organization and Business

As of December 31, 2014

STATE OF INCORPORATION

North Carolina

MAIN FACILITY

Asheboro, North Carolina

DIRECTORS

Nicole A. Crawford
William E. Currens, Jr.
Michael J. Fisher
Minor T. Hinson
Earl Johnson, Jr.
Jim Klingler
Adam Orvos

Therence O. Pickett
Marjorie Moser Rankin
David K. Robb
Sydnor M. White, Jr.
Charles M. Winston, Jr.
Scott E. Reed

OFFICERS

Sydnor M. White, Jr.
Earl Johnson, Jr.
William E. Currens, Jr.
Therence O. Pickett

Chair
Vice Chair
Treasurer
Secretary

Cheryl Turner
John E. Skvarla 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, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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, 2014 and 2013, 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.

Emphasis of Matter

As discussed in Note 20 to the basic financial statements, the Society restated net assets at January 1, 2013 to reflect a change in management's conclusions regarding agreements that exist with another organization. Our opinion is not modified with respect to this matter.



Asheboro, North Carolina
March 25, 2015

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

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 1,122,462	\$ 1,316,077
Investments	15,674,332	15,122,757
Beneficial interest in trust	101,368	107,442
Pledges receivable	305,599	545,423
Accounts receivable	78,586	58,752
Beneficial interest in charitable lead trust	1,183,835	1,244,518
Inventory	288,412	341,244
Prepaid expenses	69,193	70,108
Cash surrender value of life insurance	4,506	4,506
Property and equipment, net of accumulated depreciation	3,108,525	3,143,569
Land available for sale	289,950	352,000
	<u>22,226,768</u>	<u>22,306,396</u>
Total assets	\$ 22,226,768	\$ 22,306,396
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 265,760	\$ 312,957
Liability under agency relationship	1,197,291	1,353,925
Liability under unitrust agreement	981,021	1,034,138
Note payable	717,500	717,500
	<u>3,161,572</u>	<u>3,418,520</u>
Total liabilities	3,161,572	3,418,520
Net assets		
Unrestricted		
Board/Donor designated endowment	103,270	91,949
Board designated reserves	12,014,303	11,523,946
Undesignated	1,530,343	1,709,935
Total unrestricted	<u>13,647,916</u>	<u>13,325,830</u>
Temporarily restricted	4,278,984	5,020,150
Permanently restricted	1,138,296	541,896
	<u>19,065,196</u>	<u>18,887,876</u>
Total net assets	19,065,196	18,887,876
Total liabilities and net assets	\$ 22,226,768	\$ 22,306,396

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

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	Year Ended December 31, 2014				Year Ended December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues, and reclassifications								
Contributions, grants and special projects	\$ 818,112	\$ 1,637,756	\$ 590,090	\$ 3,045,958	\$ 990,573	\$ 1,729,332	\$ 25,000	\$ 2,744,905
Membership dues	1,709,388	5,500	-	1,714,888	1,659,696	35,000	-	1,694,696
Gift shop revenue, net of total direct costs of \$1,441,372 (\$1,418,866 in 2013)	777,623	67,356		844,979	761,385	59,798	-	821,183
Investment income	361,205	43,762	270	405,237	268,273	28,087	329	296,689
Net unrealized and realized gains (losses)	(62,899)	(17,773)	6,040	(74,632)	894,102	49,121	15,962	959,185
Change in value of unitrust	-	27,049	-	27,049	-	13,076	-	13,076
Loss on disposal of property and equipment	(3,458)	-	-	(3,458)	(3,259)	-	-	(3,259)
Decline in value of property held for resale	(110,550)	-	-	(110,550)	-	-	-	-
Net assets released from restrictions								
Satisfaction of purpose and time restrictions	2,504,816	(2,504,816)	-	-	3,932,413	(3,932,413)	-	-
Total public support, revenues and reclassifications	5,994,237	(741,166)	596,400	5,849,471	8,503,183	(2,017,999)	41,291	6,526,475
Expenses								
Program services								
Program support	4,045,258	-	-	4,045,258	5,751,243	-	-	5,751,243
Membership services	856,403	-	-	856,403	877,000	-	-	877,000
Special projects	44,136	-	-	44,136	30,871	-	-	30,871
Total program services	4,945,797	-	-	4,945,797	6,659,114	-	-	6,659,114
Supporting services								
Management and general	114,410	-	-	114,410	104,677	-	-	104,677
Special projects - other	205,432	-	-	205,432	196,760	-	-	196,760
Fund raising	406,512	-	-	406,512	390,810	-	-	390,810
Total expenses	5,672,151	-	-	5,672,151	7,351,361	-	-	7,351,361
Change in net assets	322,086	(741,166)	596,400	177,320	1,151,822	(2,017,999)	41,291	(824,886)
Net assets, beginning of year, previously reported	13,325,830	5,020,150	541,896	18,887,876	12,174,008	8,483,634	500,605	21,158,247
Restatement	-	-	-	-	-	(1,445,485)	-	(1,445,485)
Net assets, beginning of year, restated	13,325,830	5,020,150	541,896	18,887,876	12,174,008	7,038,149	500,605	19,712,762
Net assets, end of year	\$ 13,647,916	\$ 4,278,984	\$ 1,138,296	\$ 19,065,196	\$ 13,325,830	\$ 5,020,150	\$ 541,896	\$ 18,887,876

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 177,320	\$ (824,886)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Decline in value of property held for resale	110,550	-
Depreciation expense	90,659	78,582
Donation of equipment	-	5,133
Loss on disposal of equipment	3,458	3,259
Donated land included in contribution revenue	-	(200,000)
Net unrealized and realized (gain) loss on investments	74,632	(959,185)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(19,834)	(38,219)
(Increase) decrease in pledges receivable	239,824	151,563
(Increase) decrease in beneficial interest in charitable lead trust	60,683	58,218
(Increase) decrease in accrued interest receivable	-	318
(Increase) decrease in inventory	52,832	10,736
(Increase) decrease in other assets	915	74,618
Increase (decrease) in accounts payable and accrued expenses	(47,197)	4,621
Increase (decrease) in liability under agency relationship	(156,634)	(91,560)
Increase (decrease) in liability under unitrust agreement	(53,117)	38,691
Net cash provided by (used in) operating activities	<u>534,091</u>	<u>(1,688,111)</u>
Cash flows from investing activities		
Purchases of property and equipment	(306,706)	(205,283)
Gross proceeds from sale of asset	199,133	-
Net increase in investments	<u>(620,133)</u>	<u>(3,333,544)</u>
Net cash used in investing activities	<u>(727,706)</u>	<u>(3,538,827)</u>
Net (decrease) in cash and cash equivalents	(193,615)	(5,226,938)
Cash and cash equivalents at beginning of year	<u>1,316,077</u>	<u>6,543,015</u>
Cash and cash equivalents at end of year	<u>\$ 1,122,462</u>	<u>\$ 1,316,077</u>
Supplemental information		
Interest paid	<u>\$ 12,343</u>	<u>\$ 12,599</u>
Non-cash activity		
Increase in liability under unitrust agreement resulting from donor gift	<u>\$ -</u>	<u>\$ 247,931</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, 2014 AND 2013

Note 1—Summary of significant accounting policies

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

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 \$717,741 and \$862,246 during the years ended 2014 and 2013, 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, 2014 and 2013, 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, 2014 AND 2013

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, 2014. 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, 2014. The Society's tax returns are not subject to examination prior to 2011.

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

Fair Value Measurement - The Fair Value Measurement and Disclosure Topic of the FASB 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, 2014 AND 2013

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, 2014 are as follows: Level 1 – 40%, Level 2 – 34%, and Level 3 – 26%.

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, 2014 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, 2014 and 2013, the Society had \$646,644 and \$772,618, respectively, which exceeded these insured or collateralized amounts.

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

DECEMBER 31, 2014 AND 2013

Note 3—Investments

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

	December 31, 2014			December 31, 2013		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
General						
U.S. Government obligations	\$ 961,908	\$ 959,232	\$ (2,676)	\$ 1,364,841	\$ 1,357,552	\$ (7,289)
Marketable corporate securities	5,404,240	5,858,758	454,518	5,169,898	6,130,088	960,190
Other complimentary strategies	415,284	417,144	1,860	136,433	139,131	2,698
Real asset funds	384,326	389,840	5,514	384,344	404,751	20,407
Stock and bond mutual funds	<u>5,040,268</u>	<u>4,936,700</u>	<u>(103,568)</u>	<u>4,742,721</u>	<u>4,688,991</u>	<u>(53,730)</u>
	<u>12,206,026</u>	<u>12,561,674</u>	<u>355,648</u>	<u>11,798,237</u>	<u>12,720,513</u>	<u>922,276</u>
Investments held in Trust						
Certificates of deposit	-	-	-	50,000	49,996	(4)
Money market funds	33,185	33,185	-	205,413	205,413	-
Marketable corporate securities	203,362	445,046	241,684	204,040	427,305	223,265
Stock and bond mutual funds	<u>771,372</u>	<u>782,957</u>	<u>11,585</u>	<u>606,602</u>	<u>604,544</u>	<u>(2,058)</u>
	<u>1,007,919</u>	<u>1,261,188</u>	<u>253,269</u>	<u>1,066,055</u>	<u>1,287,258</u>	<u>221,203</u>
Endowments						
U.S. Government obligations	251,054	250,026	(1,028)	119,941	119,085	(856)
Marketable corporate securities	808,897	893,030	84,133	478,101	575,912	97,811
Real asset funds	105,910	107,430	1,520	56,094	59,072	2,978
Other complimentary strategies	114,442	114,955	513	19,912	20,306	394
Stock and bond mutual funds	<u>493,619</u>	<u>486,029</u>	<u>(7,590)</u>	<u>342,148</u>	<u>340,611</u>	<u>(1,537)</u>
	<u>1,773,922</u>	<u>1,851,470</u>	<u>77,548</u>	<u>1,016,196</u>	<u>1,114,986</u>	<u>98,790</u>
	<u>\$14,987,867</u>	<u>\$15,674,332</u>	<u>\$686,465</u>	<u>\$13,880,488</u>	<u>\$15,122,757</u>	<u>\$1,242,269</u>

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

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	\$361,205	\$ 43,762	\$ 270	\$405,237	\$ 268,273	\$28,087	\$ 329	\$ 296,689
Realized and unrealized gain (loss)	<u>(62,899)</u>	<u>(17,773)</u>	<u>6,040</u>	<u>(74,632)</u>	<u>894,102</u>	<u>49,121</u>	<u>15,962</u>	<u>959,185</u>
	<u>\$298,306</u>	<u>\$ 25,989</u>	<u>\$6,310</u>	<u>\$330,605</u>	<u>\$1,162,375</u>	<u>\$77,208</u>	<u>\$16,291</u>	<u>\$1,255,874</u>

Investment income from regular investments and endowments for 2014 is net of \$68,888 and \$7,641 in administrative fees, respectively. Investment income from regular investments and endowments for 2013 is net of \$66,672 and \$5,652 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, 2014 AND 2013

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, 2014			
	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	\$ -	\$ 736,446	\$ -	\$ 736,446
Domestic and international equities	7,196,833	-	-	7,196,833
Real asset funds	497,270	-	-	497,270
Fixed income - bonds	-	1,910,670	-	1,910,670
Fixed income - mutual funds	6,036,372	-	-	6,036,372
Beneficial interest in trust	-	-	101,368	101,368
	<u>\$ 13,730,475</u>	<u>\$ 2,647,116</u>	<u>\$ 101,368</u>	<u>\$ 16,478,959</u>
	As of December 31, 2013			
	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	\$ -	\$ 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>

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 2014 and 2013.

During the years ended December 31, 2014 and 2013, 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, 2014 AND 2013

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>2014</u>	<u>2013</u>
Beneficial interest in trust	\$ 101,368	\$ 107,442
Included in cash and cash equivalents	703,259	736,819
Investments	<u>15,674,332</u>	<u>15,122,757</u>
	<u>\$ 16,478,959</u>	<u>\$ 15,967,018</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>2014</u>	<u>2013</u>
Beginning fair value	\$ 107,442	\$ 93,327
Dividends and interest	1,408	1,039
Unrealized gains (losses)	(2,789)	13,403
Realized gains	4,329	587
Capital gains distributions	602	192
Fees	(1,167)	(1,106)
Distributions	<u>(8,457)</u>	<u>-</u>
Ending fair value	<u>\$ 101,368</u>	<u>\$ 107,442</u>

Note 5—Pledges receivable

Pledges receivable consist of the following:

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Membership pledges	\$ 70,098	\$ 71,837
Other pledges	<u>254,381</u>	<u>492,216</u>
Gross pledges receivable	324,479	564,053
Less: Discount to net present value	(880)	(630)
Less: Allowance for uncollectible contributions	<u>(18,000)</u>	<u>(18,000)</u>
Net pledges receivable	<u>\$305,599</u>	<u>\$545,423</u>

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

DECEMBER 31, 2014 AND 2013

Note 5—Pledges receivable (continued)

	December 31	
	<u>2014</u>	<u>2013</u>
Amounts due in		
Less than one year	\$162,142	\$358,873
One to five years	<u>162,337</u>	<u>205,180</u>
	<u>\$324,479</u>	<u>\$564,053</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%
2008-2011, 2014	2%
2012-2013	1%

Note 6—Split interest agreements

Charitable remainder trust – term certain

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.

Charitable remainder trust – Society as trustee

The Society administers, as trustee, a charitable remainder trust established during 2004. The charitable remainder trust provides for the payment of distributions to the grantor over the donor's life expectancy, which is the trust's term. At the end of the trust's term, the remaining assets are available for the Society's use. The portion of the trust attributable to the present value of the future benefits to be received by the Society is recorded in the 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 \$1,261,188 and \$1,287,258 at December 31, 2014 and 2013 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 (\$981,021 and \$1,034,138 at December 31, 2014 and 2013) is calculated using a discount rate of 5% and applicable mortality tables. There were no gifts to the trust during 2014. 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.

Charitable lead trust

During 2009, a donor established a trust with a bank naming the Society as the lead beneficiary of a charitable lead trust for the ultimate benefit of Sylvan Heights establishing an agency relationship. Under terms of the split-interest agreement, the Society is to receive an annual distribution of \$110,327 for its restricted use for a period of twenty years. At the end of the trust's term, the remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which the Society has estimated based on the present value of its expected future cash inflows. Based on the terms of the agreement and a 4% discount rate, the fair value of the Society's interest in the trust is recorded as a liability under agency relationship and as a receivable - beneficial interest in charitable lead trust. The Society received \$110,327 from the trust in 2014 and 2013, which were recorded

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

DECEMBER 31, 2014 AND 2013

Note 6—Split interest agreements (continued)

as reductions in the receivable and liability under an agency relationship. On an annual basis, the Society revalues the contribution receivable equal to the interest portion of the annual distribution. The change in the value of the split-interest agreement is recorded as an increase in its beneficial interest in the trust and liability under an agency relationship. The amounts were \$49,644 and \$52,109 in 2014 and 2013, respectively.

	December 31	
	2014	2013
Beneficial interest in charitable lead trust		
Beginning of year	\$1,244,518	\$1,302,736
Change in value	49,644	52,109
Payment from charitable lead trust	<u>(110,327)</u>	<u>(110,327)</u>
End of year	<u>\$1,183,835</u>	<u>\$1,244,518</u>

Charitable remainder trust - other

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 \$28,410, \$42,622 and \$28,057 as its interest in these 3 unitrusts through December 31, 2014.

Note 7—Property and equipment

A summary of property and equipment follows:

	December 31	
	2014	2013
Land improvements	\$ 7,564	\$ 7,564
Land	2,031,985	2,080,485
Buildings and improvements	1,236,341	1,233,221
Fixtures and equipment – gift shops	134,461	97,258
Furniture and equipment – office	198,715	221,508
Automobiles	92,145	78,045
Leasehold improvements	<u>81,107</u>	<u>77,117</u>
	3,782,318	3,795,198
Less accumulated depreciation	<u>673,793</u>	<u>651,629</u>
	<u>\$ 3,108,525</u>	<u>\$ 3,143,569</u>

Note 8—Decline in value of property held for resale

The Society received a donation of land during 2010 with an appraised value of \$248,500 with certain restrictions which included requiring the Society to hold the land for at least three years. The time restriction expired in 2014 and consequently the land was reclassified from property and equipment to land available for sale. The Society also received a donation of land in 2012 with an appraised value of \$128,800 that is included in land available for sale. Based on current appraisals, the Society recognized a decline in value on these two properties of \$110,550 during the year ended December 31, 2014.

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

DECEMBER 31, 2014 AND 2013

Note 9—Note payable

Note payable consists of the following:

Note payable in 35 monthly payments of interest only with all principal and unpaid accrued interest due May 5, 2017. The interest rate is the LIBOR rate plus 1.5% (1.6875% at December 31, 2014). The loan is collateralized by investments held in an account at the same financial institution. At December 31, 2014, funds in that account totaled \$7,952,708. 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>December 31</u>	
<u>2014</u>	<u>2013</u>
\$ <u>717,500</u>	\$ <u>717,500</u>

Maturities of debt are as follows:

<u>Year ending in</u>	<u>Amount</u>
2017	\$ <u>717,500</u>

Note 10—Unrestricted net assets

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

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

- Undesignated – Funds for ongoing operational support, provided by members and donors, which give the Society the flexibility to respond quickly to emerging needs and shifting priorities.
- Board and Donor designated endowment – Donor provided funds that generate income for ongoing 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 13 for details of Board-designated reserves.

Note 11—Temporarily restricted net assets

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

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

DECEMBER 31, 2014 AND 2013

Note 11—Temporarily restricted net assets (continued)

	December 31	
	2014	2013
<u>Purpose restrictions</u>		
Animal welfare and initiatives	\$ 111,366	\$ 112,980
Horticulture programs and initiatives	34,157	28,364
Veterinary programs and initiatives	1,325,362	1,235,001
Design programs and initiatives	30,895	169,444
Education programs and initiatives	33,000	31,784
Zoo visitor growth and awareness	287	5,487
Conservation programs and initiatives	1,221,677	1,415,033
Planning and facilities	1,108,143	1,191,787
Undistributed endowment gains	<u>34,840</u>	<u>33,586</u>
Total purpose restrictions	<u>3,899,727</u>	<u>4,223,466</u>
<u>Time restrictions</u>		
Graham charitable remainder trust	280,169	253,120
Haggard charitable remainder trusts	70,678	69,295
Land for wildlife preserve	-	448,500
Peters charitable remainder trust	<u>28,410</u>	<u>25,769</u>
Total time restrictions	<u>379,257</u>	<u>796,684</u>
Total temporarily restricted net assets	<u>\$4,278,984</u>	<u>\$5,020,150</u>

Note 12—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	
	2014	2013
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.	\$ 69,058	\$ 68,405
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.	107,578	106,403
Jane Craig Hanes Endowment – Gains and losses on investments remain with principal; investment income is restricted for projects. Invested with a bank trust department.	569,572	-

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

DECEMBER 31, 2014 AND 2013

Note 12—Permanently restricted net assets (continued)

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
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.	125,000	100,000
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>\$1,138,296</u>	<u>\$541,896</u>

Note 13—Board-designated unrestricted net assets

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

	<u>2014</u>	<u>2013</u>
Animal welfare and enrichment	\$ 35,768	\$ 69,909
Conservation programs and initiatives	125,978	84,846
Design programs and initiatives	2,989	3,039
Education programs and initiatives	78,317	66,506
Emergency reserve	783,140	750,670
Horticulture programs and initiatives	83,645	106,826
Lion's Pride	9,623,922	9,802,524
Planning and facilities	930,379	375,868
Professional services	33,701	10,776
Veterinary programs and initiatives	33,269	37,854
Zoo visitor growth and awareness	121,460	122,537
Zoo personnel, supplements, travel and training	<u>161,735</u>	<u>92,591</u>
	<u>\$12,014,303</u>	<u>\$11,523,946</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, 2014.

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

DECEMBER 31, 2014 AND 2013

Note 13—Board-designated unrestricted net assets (continued)

<u>Project</u>	<u>Commitment</u>	<u>Expended</u>
Polar Bear Expansion Project	\$ 3,015,000	\$ 2,963,335
Ocelot Project	850,000	286,468
Service Support Facility	750,000	99,976
Kids Zone	245,000	226,660
Gorilla Holding	400,000	-

Note 14—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>2014</u>	<u>2013</u>
Program support Utilized by the Society	\$ 1,803	\$ 41,429
Management and general	87,687	85,976
Land	-	200,000
Special projects (Zoo to Do)	<u>19,025</u>	<u>17,128</u>
	<u>\$108,515</u>	<u>\$344,533</u>

Note 15—Operating leases

The Society has two noncancelable operating leases for office equipment. Rental expense for leases consisted of \$10,395 and \$10,130 for the years ended December 31, 2014 and 2013, respectively.

Future minimum lease payments under the operating lease as of December 31, 2014 are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 8,168
2016	4,068
2017	4,068
2018	<u>4,068</u>
	<u>\$ 20,372</u>

Note 16—Retirement plan

The Society participated in a defined contribution plan administered by Mutual of America through November 1, 2014. Employees who are paid on an hourly basis and over the age of 21 were eligible to participate after one year of service, after which the Society contributed 7% of participating employees' annual salary. Vesting of employees' benefits under the plan occurs after three years.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 16—Retirement plan (continued)

As of November 1, 2014, the Society adopted a Defined Contribution Prototype Pension Plan with Branch Banking & Trust Company. Employees who work 1,000 hours or more in a year and over the age of 21 are eligible to participate. The Plan provides for a discretionary match. The Society during 2014 contributed 5% of eligible employees' compensation to the Plan. In addition, there is a 50% employer match contribution on employee contributions up to 4% of their salary. Participants are fully vested after 6 years of service. Forfeitures are used to reduce employer contributions. Loans are not permitted. The cost of the plan for 2014 and 2013 was \$74,546 and \$75,826, respectively.

Note 17—Related party transactions

Included in pledges receivable as of December 31, 2014 and 2013 are \$1,755 and \$7,765 due from various related parties.

Included in accounts payable and accrued expenses as of December 31, 2014 and 2013 are \$61,140 and \$143,681 due to related parties, including \$35,153 and \$137,560, respectively, due to the North Carolina Zoological Park.

Note 18—Endowment funds

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

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, 2014 AND 2013

Note 18—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. 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, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 42,989	\$ 500,000	\$ -	\$ 542,989
Donor-restricted endowment funds	60,281	316,168	1,138,296	1,514,745
Total funds	<u>\$ 103,270</u>	<u>\$ 816,168</u>	<u>\$ 1,138,296</u>	<u>\$ 2,057,734</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 45,570	\$ 500,000	\$ -	\$ 545,570
Donor-restricted endowment funds	46,379	158,630	541,896	746,905
Total funds	<u>\$ 91,949</u>	<u>\$ 658,630</u>	<u>\$ 541,896</u>	<u>\$ 1,292,475</u>

Changes in Endowment Net Assets as of December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 91,949	\$ 658,630	\$ 541,896	\$ 1,292,475
Contributions	-	146,994	590,090	737,084
Investment income	13,146	30,844	271	44,261
Net appreciation (realized and unrealized)	4,616	(18,284)	6,039	(7,629)
Amounts appropriated for expenditures	(6,441)	(2,016)	-	(8,457)
Endowment net assets, end of year	<u>\$ 103,270</u>	<u>\$ 816,168</u>	<u>\$ 1,138,296</u>	<u>\$ 2,057,734</u>

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

DECEMBER 31, 2014 AND 2013

Note 18—Endowment funds (continued)

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	5,831	22,822	329	28,982
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>\$ 91,949</u>	<u>\$ 658,630</u>	<u>\$ 541,896</u>	<u>\$ 1,292,475</u>

Note 19—Contingencies

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

The Society is involved in a claim and lawsuit regarding the title to land that it owns and intends to defend its position vigorously. Management estimates that any possible liability to the Society resulting from such litigation would not have a material adverse effect on the financial position of the Society at December 31, 2014.

Note 20—Restatement of net assets

The Society has been instrumental in starting and developing the Sylvan Heights Waterfowl Park and Eco-Center, Inc. ("Sylvan Heights") during the last several years. The Society supports Sylvan Heights due to their purpose and missions and since Sylvan Heights' beginning, considered them a financially interrelated organization. Management reviewed the existing operating agreements and other managing relationships between the two organizations during 2014. The Society determined that certain requirements for financial interrelationship no longer exists and therefore made a change to reflect their relationship as a custodial or agency relationship.

The balance of net assets at January 1, 2013 has been restated to reflect management's conclusion that certain net assets as of that date and other transactions for the year ended December 31, 2013 should be treated as agency transactions. A summary of the changes to the financial statements as of and for the year ended December 31, 2013 are as follows:

Net Assets as previously reported, 12/31/12	\$ 21,158,247
Less: Net assets - temporarily restricted for Sylvan Heights	<u>(1,445,485)</u>
Net Assets restated, 12/31/12	<u>\$ 19,712,762</u>

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

DECEMBER 31, 2014 AND 2013

Note 20—Restatement of net assets (continued)

Changes in the statements of activities for the year ended December 31, 2013 have been adjusted accordingly:

Increase (decrease) in the change in net assets

Contributions, grants and special projects	\$ (17,498)
Membership dues	(142,257)
Change in value of beneficial interest in charitable lead trust	(52,109)
Program services	303,424
Net Increase in net assets	<u>\$ 91,560</u>

Note 21—Liability under agency relationship

These transactions are measured at present value and are reported as liabilities on the financial statements. The portion of the account designated as “beneficial interest in charitable lead trust” represent the present value of expected future cash inflows received by the Society on behalf of Sylvan Heights. The Society recognizes the present value of the expected future cash inflows and an offsetting liability until the trust assets are distributed to the ultimate beneficiary.

Agency Transactions as of December 31, 2013 are as follows:

	Liability Under Agency Relationship 12/31/2012	Increases	Decreases	Liability Under Agency Relationship 12/31/2013
Sylvan Heights General Operating	\$ 36,365	\$ 270,032	\$ (286,265)	\$ 20,132
Sylvan Heights Landing Zone	3,547	-	(3,547)	-
Sylvan Heights Phase I, II & III	102,837	50	(13,612)	89,275
Beneficial Interest in a Charitable Lead Trust	1,302,736	52,109	(110,327)	1,244,518
	<u>\$ 1,445,485</u>	<u>\$ 322,191</u>	<u>\$ (413,751)</u>	<u>\$ 1,353,925</u>

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

DECEMBER 31, 2014 AND 2013

Note 21—Agency transactions (continued)

Agency Transactions as of December 31, 2014 are as follows:

	Liability Under Agency Relationship			Liability Under Agency Relationship
	12/31/2013	Increases	Decreases	12/31/2014
Sylvan Heights General Operating	\$ 20,132	\$ 223,274	\$ (232,631)	\$ 10,775
Sylvan Heights Phase I, II & III	89,275	5,600	(92,194)	2,681
Beneficial Interest in a Charitable Lead Trust	1,244,518	49,644	(110,327)	1,183,835
	<u>\$ 1,353,925</u>	<u>\$ 278,518</u>	<u>\$ (435,152)</u>	<u>\$ 1,197,291</u>

Note 22—Subsequent events

The Society has evaluated subsequent events through March 25, 2015, 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, 2014 and 2013, and have issued our report thereon dated March 25, 2015, 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 26-35 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
March 25, 2015

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Contributions	\$ 472,796	\$ 589,150
Membership projects		
Membership discount tickets	81,749	67,480
Travel program	6,247	1,900
Education projects		
Contributions and receipts	90,470	72,095
Other projects		
Combo tickets	74,255	113,913
Learning Center	21,325	23,437
President's Club and Conservator's Circle	54,368	106,600
Miscellaneous	<u>16,902</u>	<u>15,998</u>
Total unrestricted contributions and special projects	<u>\$ 818,112</u>	<u>\$ 990,573</u>

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

YEAR ENDED DECEMBER 31, 2014

<u>Description</u>	<u>Temporarily Restricted Net Assets 12/31/2013</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 12/31/2014</u>
<u>Purpose Restrictions</u>							
Animal Welfare and Initiatives							
AAZK	\$ -	\$ 1,332	\$ -	\$ 1,332	\$ -	\$ 1,332	\$ -
Animals and Animal Care	12,552	4,760		8,392		8,392	8,920
Animal Welfare	9,571			572		572	8,999
Box Turtle Conference	2,751	1,000				-	3,751
Box Turtle Project	993					-	993
Cape Fear Shiner Project	5,911			5,911		5,911	-
Elephant Equipment	-	25,000		2,915		2,915	22,085
Enrichment & Training	43,267	21,505	3,423	21,256		24,679	40,093
Gorilla Conference	549			549		549	-
Kendall Project	5,107					-	5,107
Thomson's Gazelle	1,695	-		1,695		1,695	-
Tropical Bird Research - Costa Rica	670	604		900		900	374
Welfare of Animals	29,914			8,870		8,870	21,044
	<u>112,980</u>	<u>54,201</u>	<u>3,423</u>	<u>52,392</u>	<u>-</u>	<u>55,815</u>	<u>111,366</u>
Horticulture Programs and Initiatives							
AZH Conservation Grant	139					-	139
Butterfly Garden	255					-	255
Hiking Trails	3,999			965		965	3,034
Horticulture	2,978	3,562	604	112		716	5,824
Horticulture Fund	5,491	1,651		1,317		1,317	5,825
Plant Conservation Day Activities	2,500			1,133		1,133	1,367
Plant Conservation Field Programs	12,462	4,351		(360)		(360)	17,173
Ridges Mountain	540					-	540
	<u>28,364</u>	<u>9,564</u>	<u>604</u>	<u>3,167</u>	<u>-</u>	<u>3,771</u>	<u>34,157</u>
Education Programs and Initiatives							
Education	965	1,364		2,227		2,227	102
Educational Programs	16,308	6,246	2,642			2,642	19,912
Field Trip Earth	14,511	50		1,575		1,575	12,986
Uganda Scholarship Program	-	843		843		843	-
Volunteer Programs	-	(1,364)		(1,364)		(1,364)	-
	<u>31,784</u>	<u>7,139</u>	<u>2,642</u>	<u>3,281</u>	<u>-</u>	<u>5,923</u>	<u>33,000</u>
Zoo Visitor Growth and Awareness							
Community Outreach	3,490	5,982		9,185		9,185	287
Dinosaurs	1,447	193		1,640		1,640	-
Marketing Sponsorships	550	18,510		19,060		19,060	-
	<u>5,487</u>	<u>24,685</u>	<u>-</u>	<u>29,885</u>	<u>-</u>	<u>29,885</u>	<u>287</u>
Design Programs and Initiatives							
Artwork Maintenance	13,541	29,066		29,450		29,450	13,157
Digital Information	6,520	(4,500)				-	2,020
Exhibit Maintenance	1,781	34		1,815		1,815	-
Honey Bee Exhibit	8,933	(6,000)				-	2,933
NCZP Arts Program Support	11,712			1,667		1,667	10,045
Polar Bear Art & Interpretives	126,957			124,217		124,217	2,740
	<u>169,444</u>	<u>18,600</u>	<u>-</u>	<u>157,149</u>	<u>-</u>	<u>157,149</u>	<u>30,895</u>

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

YEAR ENDED DECEMBER 31, 2014

<u>Description</u>	Temporarily	Donor	Expenses	Program	Other	Total	Temporarily
	Restricted						Restricted
	Net Assets	Support		Support	Releases	Net Assets	Net Assets
	12/31/2013	Support		Support	Releases	Released	12/31/2014
Conservation Programs and Initiatives							
Acres for the Atmosphere	\$ 14,181	\$ 3,020	\$ -	\$ 784	\$ -	\$ 784	\$ 16,417
Amphibian Crisis Fund	39,377	648				-	40,025
Apes Across Africa	40,000	10,345		50,345		50,345	-
Autism Camp	-	5,750		894		894	4,856
AZA - Conservation Endowment Program	606	513	606			606	513
Chimp - Conservation	1,408	1,065		100		100	2,373
Chimp - Hondo Memorial	1,325					-	1,325
Conservation Medicine	10,337	1,900		6,581		6,581	5,656
Crocodilian Conservation	98					-	98
Cross River Gorillas	7,943	12,884		797		797	20,030
Cross River Gorillas Monitoring System	39,387			37,578		37,578	1,809
Field Conservation & Research	100,560	126,478		107,877		107,877	119,161
Field Conservation & Research	32,819			31,661		31,661	1,158
Field Conservation & Research BSP	10,556					-	10,556
Field Programs	11,228	6,000		7,070		7,070	10,158
Gorilla Tracking Dogs	6,982			5,000		5,000	1,982
Great Ape Video	4,326	20,291		24,617		24,617	-
International Council Conservation Nature	-	12,086		11,876		11,876	210
Lucille Stickle Fund	4,933	1,250		5,000		5,000	1,183
Native Wildlife	8,174	210		2,499		2,499	5,885
Nigerian Elephant Conservation	-	9,486				-	9,486
Polar Bear Field Conservation	1,448	7,326				-	8,774
Sylvan Heights White Mill Pond	47,500	50,000		8,601		8,601	88,899
UNITE Ape Tag	-	10,000		10,000		10,000	-
UNITE Cleveland Zoo Society Grant	2,000	20,000				-	22,000
UNITE Conservation Education	1,170	3,266		1,231		1,231	3,205
UNITE Kibale's Chimpanzee	-	24,800				-	24,800
UNITE School Construction	4,046	1,366		(221)		(221)	5,633
Wildlife Habitat Acquisition & Management	1,024,629			9,144	200,000	209,144	815,485
	<u>1,415,033</u>	<u>328,684</u>	<u>606</u>	<u>321,434</u>	<u>200,000</u>	<u>522,040</u>	<u>1,221,677</u>
Veterinary Programs and Initiatives							
Diagnostic Vet Equipment	1,051					-	1,051
Elephant Tracking Program	2,568	2,713		1,593		1,593	3,688
Endoscope	6,899			1,352		1,352	5,547
Imaging Equipment	5,000	5,000				-	10,000
Loomis Flexible Fund	2,649					-	2,649
Pachyderm Breeding Center	429,627			50,858		50,858	378,769
Remote Video Equipment Vet Center	-	7,573				-	7,573
Season Nutritional Effects on Elephants	3,068			2,575		2,575	493
Vet Camp Proceeds	47,136	32,789	13,873	29,637		43,510	36,415
Vet Camp Sponsorships	276					-	276
Veterinary - Daldorf Fund	104,505	5,647		3,056		3,056	107,096
Vet General Support	-	2,175				-	2,175
Wildlife Learning Center Intern	907	2,319		1,498		1,498	1,728
Wildlife Learning Center Operating	18,376					-	18,376
Wildlife Rehabilitation Caging	2,061					-	2,061
Wildlife Rehabilitation Operating	-	169,829		40,532		40,532	129,297
Wildlife Rehabilitation Scholarship	35,611					-	35,611
WRC & Learning Center Operating	575,267	9,290		2,000		2,000	582,557
	<u>1,235,001</u>	<u>237,335</u>	<u>13,873</u>	<u>133,101</u>	<u>-</u>	<u>146,974</u>	<u>1,325,362</u>

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

YEAR ENDED DECEMBER 31, 2014

<u>Description</u>	<u>Temporarily Restricted Net Assets 12/31/2013</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 12/31/2014</u>
Planning and Facilities							
Benches	\$ 4,524	\$ 4,384	\$ -	\$ 952	\$ -	\$ 952	\$ 7,956
Cori Palermo Memorial	1,403					-	1,403
David M. Holt Memorial	12,600	1,100		10,038		10,038	3,662
Elephant/Rhino Exhibits	2,362					-	2,362
Endowment for Zoo Needs	9,623					-	9,623
GIK Society Used	-	87,687	87,687			87,687	-
GIK Transferred to the Park	-	350		350		350	-
Global Welfare Position	-	71,280		55,600		55,600	15,680
Gorilla Holding Renovation	-	128,428				-	128,428
Gorilla Shade Structure	86,944			420		420	86,524
Hanes Endowment	-	7,783				-	7,783
Iwerks Revolving Fund	22,938			75		75	22,863
KidZone	80,527			22,234		22,234	58,293
KidZone Training & Research Center	8,989					-	8,989
Marsh Renovation	17,097	(29,100)		(13,193)		(13,193)	1,190
New African Exhibit	686					-	686
Ocelot Exhibit & Sculpture	255,312	310,654	5,826	227,659		233,485	332,481
Pinniped Holding	-	122,800		122,800		122,800	-
Pisgah Covered Bridge	2,540			5		5	2,535
Playful Pedagogy	64,978			18,544		18,544	46,434
Polar Bear Capital	259,198	100,601	(1)	310,972		310,971	48,828
RFOZ Grants	12,108	7,500		4,102		4,102	15,506
Rocky Coast	3,008					-	3,008
Service Support Storage Facility	157,221	207,953	89,917	64,234		154,151	211,023
Shade Structures	5,178					-	5,178
Skype Program	4,895			4,745		4,745	150
Steve Thornburg Tract Renovation	370			370		370	-
Tiger Exhibit	60,134	100				-	60,234
Zoo Repair & Renovation	9,252	27,579		34,188		34,188	2,643
Zoo Visioning	10,000					-	10,000
Zoo Wireless	99,900			85,219		85,219	14,681
	<u>1,191,787</u>	<u>1,049,099</u>	<u>183,429</u>	<u>949,314</u>	<u>-</u>	<u>1,132,743</u>	<u>1,108,143</u>
Undistributed Endowment Gains							
Animal Related	6,893	836			2,016	2,016	5,713
Conservation	26,693	2,434				-	29,127
	<u>33,586</u>	<u>3,270</u>	<u>-</u>	<u>-</u>	<u>2,016</u>	<u>2,016</u>	<u>34,840</u>
Total Purpose Restrictions	<u>4,223,466</u>	<u>1,732,577</u>	<u>204,577</u>	<u>1,649,723</u>	<u>202,016</u>	<u>2,056,316</u>	<u>3,899,727</u>
Time Restrictions							
Graham Charitable Remainder Trust	253,120	27,049				-	280,169
Haggard Charitable Remainder Trust (1)	41,787	835				-	42,622
Haggard Charitable Remainder Trust (2)	27,508	548				-	28,056
Land	448,500		-		448,500	448,500	-
Peters Charitable Remainder Trust	25,769	2,641				-	28,410
	<u>796,684</u>	<u>31,073</u>	<u>-</u>	<u>-</u>	<u>448,500</u>	<u>448,500</u>	<u>379,257</u>
Total Time Restrictions	<u>796,684</u>	<u>31,073</u>	<u>-</u>	<u>-</u>	<u>448,500</u>	<u>448,500</u>	<u>379,257</u>
Total Temporarily Restricted Net Assets	<u>\$5,020,150</u>	<u>\$ 1,763,650</u>	<u>\$ 204,577</u>	<u>\$ 1,649,723</u>	<u>\$650,516</u>	<u>\$ 2,504,816</u>	<u>\$ 4,278,984</u>

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Sales		
Gift shop sales	\$ 2,248,621	\$ 2,247,611
Less sales discounts	<u>(91,882)</u>	<u>(127,852)</u>
Net sales	<u>2,156,739</u>	<u>2,119,759</u>
Inventories at beginning of year	341,244	351,980
Purchases	<u>730,962</u>	<u>762,837</u>
	1,072,206	1,114,817
Less inventories at end of year	<u>288,412</u>	<u>341,244</u>
Total cost of sales	<u>783,794</u>	<u>773,573</u>
Gross profit from gift shops	<u>1,372,945</u>	<u>1,346,186</u>
Other operating income		
Rentals*	129,612	120,290
Operating expenses		
Bank charges	34,647	32,674
Computer support	342	3,421
Depreciation	35,247	27,867
Dues and subscriptions	233	582
Freight-in	26,764	20,933
General insurance	4,387	3,383
Group benefits	109,102	102,150
Liquidation	1,756	-
Loss on damaged goods	5,848	7,096
Mail order	258	477
Miscellaneous	2,147	2,379
Payroll taxes	34,980	33,700
Repairs and maintenance	893	1,177
Salaries	365,949	371,366
Supplies	5,558	4,480
Telephone	8,031	8,235
Training/Conferences/Mileage	5,570	2,923
Utilities	5,866	4,552
Warehouse services	<u>10,000</u>	<u>17,898</u>
Total operating expenses	<u>657,578</u>	<u>645,293</u>
Net revenue from gift shops	<u>\$ 844,979</u>	<u>\$ 821,183</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Animal Welfare and Enrichment	\$ 143,533	\$ 105,610
Conservation Programs and Initiatives	415,303	244,908
Design Programs and Initiatives	158,199	169,405
Education Programs and Initiatives	81,941	79,718
Horticulture Programs and Initiatives	68,713	136,008
Park Program Services	245,128	270,411
Planning and Facilities	1,036,365	2,936,634
Professional Services	-	5,300
Veterinary Programs and Initiatives	182,686	161,405
Zoo Operational Support	859,685	762,157
Zoo Personnel, Supplements, Travel and Training	298,492	252,644
Zoo Visitor Growth and Awareness	469,613	488,642
Zoo Welfare Initiatives	85,600	138,401
	<u>\$ 4,045,258</u>	<u>\$ 5,751,243</u>

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Annual report	\$ 1,170	\$ 622
Auto expense	1,279	1,384
Bad debt	2,332	3,230
Bank card charges	16,993	15,889
Computer support	21,160	21,309
Depreciation	33,970	38,272
Donor cultivation	6,855	7,913
Dues and subscriptions	2,753	3,446
General insurance	21,938	16,913
Group benefits	98,712	144,837
Magazine	39,580	43,030
Mailing services	13,901	15,917
Meetings	779	1,404
Membership incentives	1,176	960
Miscellaneous	1,353	1,161
Office supplies	9,165	6,124
On-site sales	-	473
Payroll taxes	40,839	38,523
Planned giving	4,090	3,180
Postage	15,813	15,005
Printing	9,527	4,720
Professional services	20,206	23,154
Repairs and maintenance	9,565	9,860
Returns/redeposits	287	1,316
Salaries	465,164	442,104
Telephone	11,173	9,693
Training, conferences & travel	6,623	6,561
	<u>6,623</u>	<u>6,561</u>
Total membership expenses	<u>\$ 856,403</u>	<u>\$ 877,000</u>

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Annual report	\$ 1,170	\$ 622
Auto	629	673
Computer support	2,203	2,061
Depreciation	3,252	1,992
Dues and subscriptions	551	823
General insurance	1,994	1,537
Group benefits	10,913	12,899
Meetings	1,697	1,584
Miscellaneous	1,309	1,140
Office supplies	1,761	1,795
Payroll taxes	6,413	5,411
Postage	1,327	1,558
Professional services	1,955	1,902
Repairs and maintenance	926	824
Salaries	72,375	64,040
Telephone	4,091	3,887
Training, conferences & travel	<u>1,844</u>	<u>1,929</u>
Total management and general expenses	<u>\$ 114,410</u>	<u>\$ 104,677</u>

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Auto expense	\$ 1,302	\$ 1,289
Bad debt	2,332	1,300
Bank card charges	16,993	15,889
Computer support	6,484	6,537
Depreciation	10,299	3,989
Donor cultivation	2,938	7,681
Dues and subscriptions	2,202	2,674
General insurance	6,781	5,228
Group benefits	33,600	49,220
Meetings	35	-
Miscellaneous	1,104	1,013
New member solicitation	93,605	46,957
Office supplies	2,231	2,247
Payroll taxes	16,227	16,475
Planned giving	3,943	3,180
Postage	1,354	3,261
Printing	3,524	1,573
Professional services	6,192	7,773
Repairs and maintenance	2,931	2,620
Salaries	183,792	203,650
Telephone	4,528	3,955
Training, conferences & travel	4,115	4,299
	<u>4,115</u>	<u>4,299</u>
Total fund raising expenses	<u>\$ 406,512</u>	<u>\$ 390,810</u>

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Special Projects - Program Services</u>		
Adopt an Animal	\$ 4,026	\$ 3,457
Learning Center	20,915	18,878
Membership Special Programs	2,065	-
Travel Program	615	1,192
Vet Camps	16,515	7,295
Wildlife Rehab Center	-	49
Total Special Projects - Program Services	<u>44,136</u>	<u>30,871</u>
<u>Special Projects - Other</u>		
Annual Giving	17,623	11,300
Conservation Endowment Program	606	545
Corporate Membership	4,968	3,837
Gifts-in-Kind	87,687	85,926
President's Club and Conservator's Circle	1,411	911
Promotions	-	10,439
Randolph Friends of the Zoo	3,220	4,087
Zoo To Do	89,917	79,715
Total Special Projects - Other	<u>205,432</u>	<u>196,760</u>
 Total special projects expenses	 <u>\$ 249,568</u>	 <u>\$ 227,631</u>