



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

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION**

***As of and for the Years Ended December 31, 2015
and 2014***

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, 2015

STATE OF INCORPORATION

North Carolina

MAIN FACILITY

Asheboro, North Carolina

DIRECTORS

Richard W. Carroll
Nicole A. Crawford
William E. Currens, Jr
Michael J. Fisher
Minor T. Hinson
Jim Klingler

Marjorie Moser Rankin
Scott E. Reed
John L. Ruffin
Kent A. Varner
Sydnor M. White, Jr
Charles M. Winston, Jr

OFFICERS

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

Chair
Vice Chair
Treasurer
Secretary

Cheryl Turner
Susan W. Kluttz
Scott E. Reed

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

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of The North Carolina Zoological Society, Inc., a nonprofit organization (the "Society") which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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.

Other Matter

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

Asheboro, North Carolina
April 5, 2016

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

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 1,486,902	\$ 1,122,462
Investments	14,527,548	15,674,332
Beneficial interest in trust	96,205	101,368
Pledges receivable	419,265	305,599
Accounts receivable	71,300	78,586
Beneficial interest in charitable lead trust	1,120,473	1,183,835
Inventory	305,898	288,412
Prepaid expenses	77,202	69,193
Cash surrender value of life insurance	4,227	4,506
Property and equipment, net of accumulated depreciation	3,121,766	3,108,525
Land available for sale	93,700	289,950
	<u>21,324,486</u>	<u>22,226,768</u>
Total assets	\$ 21,324,486	\$ 22,226,768
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 182,126	\$ 265,760
Liability under agency relationship	1,154,095	1,197,291
Liability under unitrust agreement	1,036,154	981,021
Note payable	717,500	717,500
	<u>3,089,875</u>	<u>3,161,572</u>
Total liabilities	3,089,875	3,161,572
Net assets		
Unrestricted		
Board/Donor designated endowment	100,101	103,270
Board designated reserves	11,284,777	12,014,303
Undesignated	1,407,159	1,530,343
Total unrestricted	<u>12,792,037</u>	<u>13,647,916</u>
Temporarily restricted	4,080,626	4,278,984
Permanently restricted	1,361,948	1,138,296
	<u>18,234,611</u>	<u>19,065,196</u>
Total net assets	18,234,611	19,065,196
Total liabilities and net assets	\$ 21,324,486	\$ 22,226,768

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, 2015 AND 2014

	Year Ended December 31, 2015				Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues, and reclassifications								
Contributions, grants and special projects	\$ 879,152	\$ 1,689,101	\$ 265,454	\$ 2,833,707	\$ 818,112	\$ 1,637,756	\$ 590,090	\$ 3,045,958
Membership dues	1,990,162	35,280	-	2,025,442	1,709,388	5,500	-	1,714,888
Gift shop revenue, net of total direct costs of \$1,380,189 (\$1,441,372 in 2014)	788,634	63,993	-	852,627	777,623	67,356	-	844,979
Investment income	331,081	46,304	351	377,736	361,205	43,762	270	405,237
Net unrealized and realized gains (losses)	(627,439)	(45,276)	(42,153)	(714,868)	(62,899)	(17,773)	6,040	(74,632)
Change in value of unitrust	-	(64,205)	-	(64,205)	-	27,049	-	27,049
Loss on disposal of property and equipment	-	-	-	-	(3,458)	-	-	(3,458)
Decline in value and expenses of property held for resale	(142,546)	-	-	(142,546)	(110,550)	-	-	(110,550)
Net assets released from restrictions								
Satisfaction of purpose and time restrictions	1,923,555	(1,923,555)	-	-	2,504,816	(2,504,816)	-	-
Total public support, revenues and reclassifications	5,142,599	(198,358)	223,652	5,167,893	5,994,237	(741,166)	596,400	5,849,471
Expenses								
Program services								
Program support	4,291,065	-	-	4,291,065	4,045,258	-	-	4,045,258
Membership services	943,180	-	-	943,180	856,403	-	-	856,403
Special projects	46,518	-	-	46,518	44,136	-	-	44,136
Total program services	5,280,763	-	-	5,280,763	4,945,797	-	-	4,945,797
Supporting services								
Management and general	107,923	-	-	107,923	114,410	-	-	114,410
Special projects - other	216,586	-	-	216,586	205,432	-	-	205,432
Fundraising	393,206	-	-	393,206	406,512	-	-	406,512
Total expenses	5,998,478	-	-	5,998,478	5,672,151	-	-	5,672,151
Change in net assets	(855,879)	(198,358)	223,652	(830,585)	322,086	(741,166)	596,400	177,320
Net assets, beginning 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
Net assets, end of year	<u>\$ 12,792,037</u>	<u>\$ 4,080,626</u>	<u>\$ 1,361,948</u>	<u>\$ 18,234,611</u>	<u>\$ 13,647,916</u>	<u>\$ 4,278,984</u>	<u>\$ 1,138,296</u>	<u>\$ 19,065,196</u>

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

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (830,585)	\$ 177,320
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Decline in value of property held for resale	136,250	110,550
Depreciation expense	91,278	90,659
Loss on disposal of equipment	-	3,458
Net unrealized and realized (gain) loss on investments	714,868	74,632
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	7,286	(19,834)
(Increase) decrease in pledges receivable	(113,666)	239,824
(Increase) decrease in beneficial interest in charitable lead trust	63,362	60,683
(Increase) decrease in inventory	(17,486)	52,832
(Increase) decrease in other assets	(7,730)	915
Increase (decrease) in accounts payable and accrued expenses	(83,634)	(47,197)
Increase (decrease) in liability under agency relationship	(43,196)	(156,634)
Increase (decrease) in liability under unitrust agreement	55,133	(53,117)
Net cash provided by (used in) operating activities	<u>(28,120)</u>	<u>534,091</u>
Cash flows from investing activities		
Purchases of property and equipment	(104,519)	(306,706)
Proceeds from sale of land available for sale	60,000	199,133
Net (increase) decrease in investments	<u>437,079</u>	<u>(620,133)</u>
Net cash provided by (used in) investing activities	<u>392,560</u>	<u>(727,706)</u>
Net increase (decrease) in cash and cash equivalents	364,440	(193,615)
Cash and cash equivalents at beginning of year	<u>1,122,462</u>	<u>1,316,077</u>
Cash and cash equivalents at end of year	<u>\$ 1,486,902</u>	<u>\$ 1,122,462</u>
Supplemental information		
Interest paid	<u>\$ 13,737</u>	<u>\$ 12,343</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, 2015 AND 2014

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, temporarily restricted and permanently restricted.

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

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

Temporarily restricted contributions – grants - Temporarily restricted contributions include a number of grants in addition to donor-restricted contributions. These grants totaled \$1,030,913 and \$717,741 during the years ended 2015 and 2014, 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, 2015 and 2014, 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, 2015 AND 2014

Note 1—Summary of significant accounting policies (continued)

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

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

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

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

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

Note 1—Summary of significant accounting policies (continued)

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

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

Domestic and international equities - These investments are valued at the closing price reported on the New York Stock Exchange Composite Listing and are classified within Level 1 of the valuation hierarchy.

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

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

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

Beneficial interest in trust - The beneficial interest represents interest held in pooled investment funds and are classified within Level 3 of the valuation hierarchy.

Note 2—Deposits

The Society places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2015 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, 2015 and 2014, the Society had \$1,046,745 and \$646,644, respectively, which exceeded these insured or collateralized amounts.

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

DECEMBER 31, 2015 AND 2014

Note 3—Investments

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

	December 31, 2015			December 31, 2014		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
General						
U.S. Government obligations	\$ 856,594	\$ 845,641	\$ (10,953)	\$ 961,908	\$ 959,232	\$ (2,676)
Marketable corporate securities	5,194,691	5,201,645	6,954	5,404,240	5,858,758	454,518
Other complementary strategies	422,262	413,943	(8,319)	415,284	417,144	1,860
Real asset funds	436,175	414,929	(21,246)	384,326	389,840	5,514
Stock and bond mutual funds	4,560,971	4,333,398	(227,573)	5,040,268	4,936,700	(103,568)
	<u>11,470,693</u>	<u>11,209,556</u>	<u>(261,137)</u>	<u>12,206,026</u>	<u>12,561,674</u>	<u>355,648</u>
Investments held in Trust						
Money market funds	109,299	109,299	-	33,185	33,185	-
Marketable corporate securities	202,950	471,311	268,361	203,362	445,046	241,684
Stock and bond mutual funds	719,810	693,137	(26,673)	771,372	782,957	11,585
	<u>1,032,059</u>	<u>1,273,747</u>	<u>241,688</u>	<u>1,007,919</u>	<u>1,261,188</u>	<u>253,269</u>
Endowments						
U.S. Government obligations	281,392	277,794	(3,598)	251,054	250,026	(1,028)
Marketable corporate securities	1,037,884	1,046,576	8,692	808,897	893,030	84,133
Real asset funds	143,284	136,304	(6,980)	105,910	107,430	1,520
Other complementary strategies	138,713	135,981	(2,732)	114,442	114,955	513
Stock and bond mutual funds	473,663	447,590	(26,073)	493,619	486,029	(7,590)
	<u>2,074,936</u>	<u>2,044,245</u>	<u>(30,691)</u>	<u>1,773,922</u>	<u>1,851,470</u>	<u>77,548</u>
	<u>\$ 14,577,688</u>	<u>\$ 14,527,548</u>	<u>\$ (50,140)</u>	<u>\$ 14,987,867</u>	<u>\$ 15,674,332</u>	<u>\$ 686,465</u>

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

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	\$ 331,081	\$ 46,304	\$ 351	\$ 377,736	\$ 361,205	\$ 43,762	\$ 270	\$ 405,237
Realized and unrealized gain (loss)	(627,439)	(45,276)	(42,153)	(714,868)	(62,899)	(17,773)	6,040	(74,632)
	<u>\$ (296,358)</u>	<u>\$ 1,028</u>	<u>\$ (41,802)</u>	<u>\$ (337,132)</u>	<u>\$ 298,306</u>	<u>\$ 25,989</u>	<u>\$ 6,310</u>	<u>\$ 330,605</u>

Investment income from regular investments and endowments for 2015 is net of \$59,863 and \$9,314 in administrative fees, respectively. Investment income from regular investments and endowments for 2014 is net of \$68,888 and \$7,641 in administrative fees, respectively.

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

DECEMBER 31, 2015 AND 2014

Note 3—Investments (continued)

Fair Value of Financial Investments, Carried at Fair Value

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

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

	As of December 31, 2015			
	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	\$ -	\$ 1,130,366	\$ -	\$ 1,130,366
Domestic and international equities	6,719,532	-	-	6,719,532
Real asset funds	551,234	-	-	551,234
Fixed income - bonds	-	1,855,555	-	1,855,555
Fixed income - mutual funds	5,291,929	-	-	5,291,929
Beneficial interest in trust	-	-	96,205	96,205
	<u>\$ 12,562,695</u>	<u>\$ 2,985,921</u>	<u>\$ 96,205</u>	<u>\$ 15,644,821</u>
	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>

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 2015 and 2014.

During the years ended December 31, 2015 and 2014, 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, 2015 AND 2014

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>2015</u>	<u>2014</u>
Beneficial interest in trust	\$ 96,205	\$ 101,368
Included in cash and cash equivalents	1,021,068	703,259
Investments	<u>14,527,548</u>	<u>15,674,332</u>
	<u>\$ 15,644,821</u>	<u>\$ 16,478,959</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>2015</u>	<u>2014</u>
Beginning fair value	\$ 101,368	\$ 107,442
Net Investment Earnings Gain/(Loss)	(2,512)	3,550
Fees	(1,003)	(1,167)
Distributions	<u>(1,648)</u>	<u>(8,457)</u>
Ending fair value	<u>\$ 96,205</u>	<u>\$ 101,368</u>

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

DECEMBER 31, 2015 AND 2014

Note 5—Pledges receivable

Pledges receivable consist of the following:

	December 31	
	2015	2014
Membership pledges	\$ 66,305	\$ 70,098
Other pledges	379,845	254,381
Gross pledges receivable	446,150	324,479
Less: Discount to net present value	(8,885)	(880)
Less: Allowance for uncollectible contributions	(18,000)	(18,000)
Net pledges receivable	<u>\$ 419,265</u>	<u>\$ 305,599</u>

	December 31	
	2015	2014
Amounts due in		
Less than one year	\$ 231,202	\$ 162,142
One to five years	214,948	162,337
	<u>\$ 446,150</u>	<u>\$ 324,479</u>

Pledges receivable that are due beyond one year are discounted to their estimated net present value. The discount rate is selected at the inception of the pledge receivable and based on a rate of return for risk-free investments covering a similar period of time. The discount rates at December 31, 2015 and 2014 were 2%.

Note 6—Split interest agreements

Charitable remainder trust – Society as trustee

The Society administers, as trustee, a charitable remainder trust established during 2004. The charitable remainder trust provides for the payment of distributions to the grantor over the donor's life expectancy, which is the trust's term. At the end of the trust's term, the remaining assets are available for the Society's use. The portion of the trust attributable to the present value of the future benefits to be received by the Society is recorded in the 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 \$1,273,747 and \$1,261,188 at December 31, 2015 and 2014 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 (\$1,036,154 and \$981,021 at December 31, 2015 and 2014) is calculated using a discount rate of 5% and applicable mortality tables. The total gifts to the trust during 2015 were \$100,000 resulting in contribution revenue of \$27,268 and an increase of \$72,732 in the Society's liability under the unitrust agreement. There were no gifts to the trust during 2014.

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

DECEMBER 31, 2015 AND 2014

Note 6—Split interest agreements (continued)

Charitable lead trust

During 2009, a donor established a trust with a bank naming the Society as the lead beneficiary of a charitable lead trust for the ultimate benefit of Sylvan Heights Waterfowl Park and Eco-Center, Inc. (“Sylvan Heights”) thus establishing an agency relationship. Under terms of the split-interest agreement, the Society is to receive an annual distribution of \$110,327 for its restricted use for a period of twenty years. At the end of the trust’s term, the remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which the Society has estimated based on the present value of its expected future cash inflows. Based on the terms of the agreement and a 4% discount rate, the fair value of the Society’s interest in the trust is recorded as a liability under agency relationship and as a receivable - beneficial interest in charitable lead trust. The Society received \$110,327 from the trust in 2015 and 2014, which were recorded as reductions in the receivable and liability under an agency relationship. On an annual basis, the Society revalues the contribution receivable equal to the interest portion of the annual distribution. The change in the value of the split-interest agreement is recorded as an increase in its beneficial interest in the trust and liability under an agency relationship. The amounts were \$46,965 and \$49,644 in 2015 and 2014, respectively.

	December 31	
	2015	2014
Beneficial interest in charitable lead trust		
Beginning of year	\$ 1,183,835	\$ 1,244,518
Change in value	46,965	49,644
Payment from charitable lead trust	(110,327)	(110,327)
End of year	<u>\$ 1,120,473</u>	<u>\$ 1,183,835</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 two trusts recorded in 2010. The Society has recognized \$29,831, \$43,474 and \$28,618 as its interest in these 3 unitrusts through December 31, 2015.

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

DECEMBER 31, 2015 AND 2014

Note 7—Property and equipment

A summary of property and equipment follows:

	December 31	
	2015	2014
Land improvements	\$ 7,564	\$ 7,564
Land	2,031,985	2,031,985
Buildings and improvements	1,236,342	1,236,341
Fixtures and equipment - gift shops	143,417	134,461
Furniture and equipment - office	223,940	198,715
Automobiles	128,452	92,145
Leasehold improvements	93,333	81,107
	<u>3,865,033</u>	<u>3,782,318</u>
Less accumulated depreciation	743,267	673,793
	<u><u>\$ 3,121,766</u></u>	<u><u>\$ 3,108,525</u></u>

Note 8—Decline in value of property held for resale

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

<u>Land Available for Sale</u>	2015	2014
Beginning balance	\$ 289,950	\$ 352,000
Land transferred from property and equipment	-	248,500
Decline in value of land available for sale	(136,250)	(110,550)
Property sold	(60,000)	(200,000)
Ending balance	<u><u>\$ 93,700</u></u>	<u><u>\$ 289,950</u></u>

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

DECEMBER 31, 2015 AND 2014

Note 9—Note payable

Note payable consists of the following:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Promissory note dated November 21, 2015 which allows the Society to borrow up to \$2,017,423. This note refinances the previous note which had substantially similar terms with a principal balance of \$717,500. The note is payable in 35 monthly payments of interest only with all principal and unpaid accrued interest due November 5, 2018. The interest rate is the LIBOR rate plus 1.5% (1.93750% at December 31, 2015). The loan is collateralized by investments held in an account at the same financial institution. At December 31, 2015, funds in that account totaled \$6,904,058. The Society may withdraw funds from the account, provided there are no loan defaults and as long as the market value of the account equals or exceeds 133% of the outstanding balance of the loan.	<u>\$ 717,500</u>	<u>\$ 717,500</u>

Maturities of debt are as follows:

<u>Year ending in</u>	<u>Amount</u>
2018	<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 Park support while keeping the principal investment intact.
- Board designated reserves – Reserves set aside by the Board for the Zoo’s current and future needs which are reviewed annually. See Note 13 for details of Board-designated reserves.

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

DECEMBER 31, 2015 AND 2014

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:

	December 31	
	2015	2014
<u>Purpose restrictions</u>		
Animal welfare and initiatives	\$ 81,753	\$ 111,366
Conservation programs and initiatives	1,170,522	1,237,357
Design programs and initiatives	261,246	30,895
Education programs and initiatives	35,279	33,000
Horticulture programs and initiatives	37,905	34,157
Planning and facilities	911,801	1,092,463
Undistributed endowment gains	36,809	34,840
Veterinary programs and initiatives	1,203,697	1,325,362
Zoo visitor growth and awareness	1,074	287
Total purpose restrictions	<u>3,740,086</u>	<u>3,899,727</u>
<u>Time restrictions</u>		
Graham charitable remainder trust	238,617	280,169
Haggard charitable remainder trusts	72,092	70,678
Peters charitable remainder trust	29,831	28,410
Total time restrictions	<u>340,540</u>	<u>379,257</u>
Total temporarily restricted net assets	<u>\$ 4,080,626</u>	<u>\$ 4,278,984</u>

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

DECEMBER 31, 2015 AND 2014

Note 12—Permanently restricted net assets

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

	December 31	
	2015	2014
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.	\$ 66,042	\$ 69,058
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.	102,150	107,578
Jane Craig Hanes Endowment - Gains and losses on investments remain with principal; investment income is restricted for projects. Invested with a bank trust department.	771,668	569,572
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.	155,000	125,000
Warner Atkins Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with the Foundation for the Carolinas.	25,000	25,000
	<u>\$ 1,361,948</u>	<u>\$ 1,138,296</u>

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

DECEMBER 31, 2015 AND 2014

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>2015</u>	<u>2014</u>
Animal welfare and enrichment	\$ 61,705	\$ 35,768
Conservation programs and initiatives	151,345	125,978
Design programs and initiatives	2,989	2,989
Education programs and initiatives	52,706	78,317
Emergency reserve	762,520	783,140
Horticulture programs and initiatives	80,212	83,645
Lion's Pride	9,176,386	9,623,922
Planning and facilities	500,559	930,379
Professional services	6,987	33,701
Veterinary programs and initiatives	34,769	33,269
Zoo visitor growth and awareness	322,455	121,460
Zoo personnel, supplements, travel and training	132,144	161,735
	<u>\$ 11,284,777</u>	<u>\$ 12,014,303</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.

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>2015</u>	<u>2014</u>
Program support	\$ 15,187	\$ 1,803
Utilized by the Society		
Management and general	94,712	87,687
Special projects (Zoo to Do)	28,875	19,025
	<u>\$ 138,774</u>	<u>\$ 108,515</u>

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

DECEMBER 31, 2015 AND 2014

Note 15—Operating leases

The Society has two noncancelable operating leases for office equipment. Rental expense for leases consisted of \$9,080 and \$10,395 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments under the operating leases as of December 31, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 6,804
2017	6,804
2018	6,804
2019	1,824
	<u>\$ 22,236</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.

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 2015 and 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 2015 and 2014 was \$71,909 and \$74,546, respectively.

Note 17—Related party transactions

Included in accounts payable and accrued expenses as of December 31, 2015 and 2014 are \$39,429 and \$61,140 due to related parties, including \$38,995 and \$35,153, respectively, due to the North Carolina Zoological Park.

Note 18—Endowment funds

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

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

DECEMBER 31, 2015 AND 2014

Note 18—Endowment funds (continued)

Interpretation of relevant law

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

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

Return objectives, risk parameters and strategies

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

Spending policy

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

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

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

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

DECEMBER 31, 2015 AND 2014

Note 18—Endowment funds (continued)

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>

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

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

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 (depreciation) - realized and unrealized	4,616	(18,284)	6,039	(7,629)
Amounts appropriated for expenditures	<u>(6,441)</u>	<u>(2,016)</u>	<u>-</u>	<u>(8,457)</u>
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, 2015 AND 2014

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, 2015.

Note 20—Liability under agency relationship

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

Agency Transactions as of December 31, 2015 are as follows:

	Liability Under Agency Relationship 12/31/2014	Increases	Decreases	Liability Under Agency Relationship 12/31/2015
Sylvan Heights	\$ 13,456	\$ 132,122	\$ (111,956)	\$ 33,622
Beneficial Interest in a Charitable Lead Trust	1,183,835	46,965	(110,327)	1,120,473
	<u>\$ 1,197,291</u>	<u>\$ 179,087</u>	<u>\$ (222,283)</u>	<u>\$ 1,154,095</u>

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

	Liability Under Agency Relationship 12/31/2013	Increases	Decreases	Liability Under Agency Relationship 12/31/2014
Sylvan Heights	\$ 109,407	\$ 228,874	\$ (324,825)	\$ 13,456
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>

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

DECEMBER 31, 2015 AND 2014

Note 21—Subsequent events

On January 21, 2016, the Society purchased for approximately \$1,300,000, real estate adjoining the North Carolina Zoological Park. Financing for the purchase was provided by the available credit facility described in Note 9.

The Society has evaluated subsequent events through April 5, 2016, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Contributions	\$ 525,771	\$ 472,796
Membership projects		
Membership discount tickets	94,802	81,749
Travel program	2,950	6,247
Education projects		
Contributions and receipts	88,149	90,470
Other projects		
Combo tickets	75,987	74,255
Learning Center	19,801	21,325
President's Club and Conservator's Circle	53,500	54,368
Miscellaneous	<u>18,192</u>	<u>16,902</u>
Total unrestricted contributions and special projects	<u>\$ 879,152</u>	<u>\$ 818,112</u>

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

YEAR ENDED DECEMBER 31, 2015

<u>Description</u>	<u>Temporarily Restricted Net Assets 12/31/2014</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 12/31/2015</u>
<u>Purpose Restrictions</u>							
Animal Welfare and Initiatives	\$ 111,366	\$ 64,526	\$ 3,982	\$ 90,157	\$ -	\$ 94,139	\$ 81,753
Conservation Programs and Initiatives	1,237,357	350,699	3,436	414,098	-	417,534	1,170,522
Design Programs and Initiatives	30,895	284,648	-	54,297	-	54,297	261,246
Education Programs and Initiatives	33,000	16,594	1,297	13,018	-	14,315	35,279
Horticulture Programs and Initiatives	34,157	7,320	703	2,869	-	3,572	37,905
Planning and Facilities	1,092,463	905,652	191,438	894,876	-	1,086,314	911,801
Undistributed Endowment Gains	34,840	1,969	-	-	-	-	36,809
Veterinary Programs and Initiatives	1,325,362	108,123	6,829	222,959	-	229,788	1,203,697
Zoo Visitor Growth and Awareness	287	24,383	-	23,596	-	23,596	1,074
Total Purpose Restrictions	3,899,727	1,763,914	207,685	1,715,870	-	1,923,555	3,740,086
<u>Time Restrictions</u>							
Graham Charitable Remainder Trust	280,169	(41,552)	-	-	-	-	238,617
Haggard Charitable Remainder Trust (1)	42,622	852	-	-	-	-	43,474
Haggard Charitable Remainder Trust (2)	28,056	562	-	-	-	-	28,618
Peters Charitable Remainder Trust	28,410	1,421	-	-	-	-	29,831
Total Time Restrictions	379,257	(38,717)	-	-	-	-	340,540
Total Temporarily Restricted Net Assets	\$ 4,278,984	\$ 1,725,197	\$ 207,685	\$ 1,715,870	\$ -	\$ 1,923,555	\$ 4,080,626

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Sales		
Gift shop sales	\$ 2,180,952	\$ 2,248,621
Less sales discounts	<u>(77,471)</u>	<u>(91,882)</u>
Net sales	<u>2,103,481</u>	<u>2,156,739</u>
Inventories at beginning of year	288,412	341,244
Purchases	<u>755,521</u>	<u>730,962</u>
	1,043,933	1,072,206
Less inventories at end of year	<u>305,898</u>	<u>288,412</u>
Total cost of sales	<u>738,035</u>	<u>783,794</u>
Gross profit from gift shops	<u>1,365,446</u>	<u>1,372,945</u>
Other operating income		
Rentals	129,335	129,612
Operating expenses		
Bank charges	36,598	34,647
Computer support	3,431	342
Depreciation	36,082	35,247
Dues and subscriptions	441	233
Freight-in	32,209	26,764
General insurance	3,383	4,387
Group benefits	99,414	109,102
Liquidation	-	1,756
Loss on damaged goods	5,500	5,848
Mail order	188	258
Miscellaneous	2,910	2,147
Payroll taxes	30,262	34,980
Repairs and maintenance	2,237	893
Salaries	352,571	365,949
Supplies	8,123	5,558
Telephone	7,314	8,031
Training/Conferences/Mileage	5,860	5,570
Utilities	5,631	5,866
Warehouse services	<u>10,000</u>	<u>10,000</u>
Total operating expenses	<u>642,154</u>	<u>657,578</u>
Net revenue from gift shops	<u>\$ 852,627</u>	<u>\$ 844,979</u>

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Animal Welfare and Enrichment	\$ 203,221	\$ 143,533
Conservation Programs and Initiatives	521,448	415,303
Design Programs and Initiatives	54,297	158,199
Education Programs and Initiatives	104,620	81,941
Horticulture Programs and Initiatives	46,302	68,713
Park Program Services	261,849	245,128
Planning and Facilities	1,075,473	1,036,365
Veterinary Programs and Initiatives	272,959	182,686
Zoo Operational Support	742,667	859,685
Zoo Personnel, Supplements, Travel and Training	387,091	298,492
Zoo Visitor Growth and Awareness	527,344	469,613
Zoo Welfare Initiatives	93,794	85,600
	<u>\$ 4,291,065</u>	<u>\$ 4,045,258</u>

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Annual report	\$ 1,344	\$ 1,170
Auto expense	1,729	1,279
Bad debt	10,976	2,332
Bank card charges	19,820	16,993
Computer support	27,194	21,160
Depreciation	24,938	33,970
Donor cultivation	3,722	6,855
Dues and subscriptions	2,722	2,753
General insurance	17,563	21,938
Group benefits	106,446	98,712
Magazine	42,722	39,580
Mailing services	14,225	13,901
Meetings	726	779
Membership incentives	4,407	1,176
Miscellaneous	1,175	1,353
Office supplies	8,195	9,165
Payroll taxes	44,703	40,839
Planned giving	2,858	4,090
Postage	18,703	15,813
Printing	13,003	9,527
Professional services	22,903	20,206
Repairs and maintenance	11,847	9,565
Returns/redeposits	1,122	287
Salaries	523,846	465,164
Telephone	12,117	11,173
Training, conferences & travel	4,174	6,623
	<u>4,174</u>	<u>6,623</u>
Total membership expenses	<u>\$ 943,180</u>	<u>\$ 856,403</u>

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Annual report	\$ -	\$ 1,170
Auto	948	629
Computer support	2,597	2,203
Depreciation	2,794	3,252
Dues and subscriptions	539	551
General insurance	1,597	1,994
Group benefits	9,509	10,913
Meetings	1,991	1,697
Miscellaneous	1,021	1,309
Office supplies	917	1,761
Payroll taxes	6,124	6,413
Postage	1,002	1,327
Professional services	2,157	1,955
Repairs and maintenance	563	926
Salaries	72,008	72,375
Telephone	3,224	4,091
Training, conferences & travel	<u>932</u>	<u>1,844</u>
Total management and general expenses	<u>\$ 107,923</u>	<u>\$ 114,410</u>

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Auto expense	\$ 1,676	\$ 1,302
Bad debt	-	2,332
Bank card charges	19,759	16,993
Computer support	8,492	6,484
Depreciation	6,699	10,299
Donor cultivation	5,626	2,938
Dues and subscriptions	2,196	2,202
General insurance	5,429	6,781
Group benefits	26,131	33,600
Meetings	-	35
Miscellaneous	841	1,104
New member solicitation	88,141	93,605
Office supplies	2,201	2,231
Payroll taxes	15,583	16,227
Planned giving	3,980	3,943
Postage	1,805	1,354
Printing	4,238	3,524
Professional services	7,244	6,192
Repairs and maintenance	2,733	2,931
Salaries	183,247	183,792
Telephone	4,819	4,528
Training, conferences & travel	<u>2,366</u>	<u>4,115</u>
Total fund raising expenses	<u>\$ 393,206</u>	<u>\$ 406,512</u>

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

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Special Projects - Program Services</u>		
Adopt an Animal	\$ 4,685	\$ 4,026
Learning Center	27,784	20,915
Membership Special Programs	783	2,065
Travel Program	3,000	615
Vet Camps	10,244	16,515
Wildlife Rehab Center	22	-
Total Special Projects - Program Services	<u>46,518</u>	<u>44,136</u>
<u>Special Projects - Other</u>		
Annual Giving	16,597	17,623
Conservation Endowment Program	513	606
Corporate Membership	5,630	4,968
Gifts-in-Kind	94,712	87,687
President's Club and Conservator's Circle	-	1,411
Randolph Friends of the Zoo	2,408	3,220
Zoo To Do	96,726	89,917
Total Special Projects - Other	<u>216,586</u>	<u>205,432</u>
 Total special projects expenses	 <u>\$ 263,104</u>	 <u>\$ 249,568</u>