



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

**FINANCIAL STATEMENTS AND  
ACCOMPANYING INFORMATION**

*As of and for the Years Ended December 31, 2017  
and 2016*

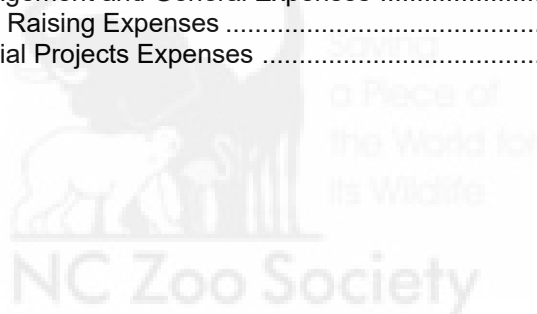
*And Report of Independent Auditor*

# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

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

**Organization and Business**

As of December 31, 2017

**STATE OF INCORPORATION**

North Carolina

**MAIN FACILITY**

Asheboro, North Carolina

**DIRECTORS**

Richard W. Carroll  
Sumner S. Finch  
Michael J. Fisher  
Minor T. Hinson  
Marjorie M. Rankin  
Scott E. Reed  
David K. Robb



John L. Ruffin  
Barry C. Safrit  
Margery J. Springer  
Kent A. Varner  
Don F. Wellington  
Sydnor M. White, Jr.  
Charles M. Winston, Jr.

**OFFICERS**

Michael J. Fisher  
Sydnor M. White, Jr.  
John L. Ruffin  
Marjorie M. Rankin

Chair  
Vice Chair  
Treasurer  
Secretary

Cheryl C. Turner  
Susan H. Hamilton  
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, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Zoological Society, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with GAAP.

**Report on Accompanying Information**

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

*Cherry Behaert LLP*

Asheboro, North Carolina  
March 28, 2018

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

DECEMBER 31, 2017 AND 2016

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,978,968	\$ 1,752,274
Investments	18,202,838	16,055,115
Beneficial interest in trust	99,375	92,377
Pledges receivable	247,621	263,415
Accounts receivable	61,102	45,282
Beneficial interest in charitable lead trust	986,537	1,055,456
Inventory	285,174	241,352
Prepaid expenses	50,166	56,510
Cash surrender value of life insurance	3,814	4,061
Property and equipment, net of accumulated depreciation	3,572,395	3,420,844
Land available for sale	-	23,200
<b>Total assets</b>	<b>\$ 25,487,990</b>	<b>\$ 23,009,886</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 452,460	\$ 293,046
Liability under agency relationship	988,803	1,079,206
Liability under unitrust agreement	974,951	1,013,406
Note payable	2,013,248	2,017,500
<b>Total liabilities</b>	<b>4,429,462</b>	<b>4,403,158</b>
Net assets		
Unrestricted		
Board/Donor designated endowment	402,411	165,376
Board designated reserves	13,157,577	11,441,556
Undesignated	373,686	419,060
Total unrestricted	13,933,674	12,025,992
Temporarily restricted	4,430,677	4,033,755
Permanently restricted	2,694,177	2,546,981
<b>Total net assets</b>	<b>21,058,528</b>	<b>18,606,728</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,487,990</b>	<b>\$ 23,009,886</b>

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

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support, revenues, and reclassifications</b>								
Contributions, grants and special projects	\$ 1,133,963	\$ 1,124,844	\$ 27,501	\$ 2,286,308	\$ 878,635	\$ 999,428	\$ 1,150,744	\$ 3,028,807
Membership dues	2,404,692	60,653	-	2,465,345	2,178,348	37,580	-	2,215,928
Gift shop revenue, net of total direct costs of \$1,549,966 (\$1,507,117 in 2016)	1,137,105	99,586	-	1,236,691	1,073,957	90,568	-	1,164,525
Investment income	391,559	69,022	478	461,059	260,788	40,801	331	301,920
Net unrealized and realized gains (losses)	1,529,513	106,689	119,217	1,755,419	487,648	43,579	33,958	565,185
Change in value of unitrust	-	8,252	-	8,252	-	10,454	-	10,454
Gain (Loss) on disposal of property and equipment	(250)	-	-	(250)	92,061	-	-	92,061
Loss and expenses from sale of land available for sale	(14,440)	-	-	(14,440)	(6,496)	-	-	(6,496)
Net assets released from restrictions								
Satisfaction of purpose and time restrictions	1,072,124	(1,072,124)	-	-	1,269,281	(1,269,281)	-	-
<b>Total public support, revenues and reclassifications</b>	<b>7,654,266</b>	<b>396,922</b>	<b>147,196</b>	<b>8,198,384</b>	<b>6,234,222</b>	<b>(46,871)</b>	<b>1,185,033</b>	<b>7,372,384</b>
<b>Expenses</b>								
Program services								
Program support	3,904,046	-	-	3,904,046	5,207,756	-	-	5,207,756
Membership services	1,053,444	-	-	1,053,444	1,009,742	-	-	1,009,742
Special projects	46,667	-	-	46,667	38,530	-	-	38,530
Total program services	5,004,157	-	-	5,004,157	6,256,028	-	-	6,256,028
Supporting services								
Management and general	115,861	-	-	115,861	121,494	-	-	121,494
Special projects - other	252,615	-	-	252,615	250,836	-	-	250,836
Fundraising	373,951	-	-	373,951	371,909	-	-	371,909
<b>Total expenses</b>	<b>5,746,584</b>	<b>-</b>	<b>-</b>	<b>5,746,584</b>	<b>7,000,267</b>	<b>-</b>	<b>-</b>	<b>7,000,267</b>
<b>Change in net assets</b>	<b>1,907,682</b>	<b>396,922</b>	<b>147,196</b>	<b>2,451,800</b>	<b>(766,045)</b>	<b>(46,871)</b>	<b>1,185,033</b>	<b>372,117</b>
Net assets, beginning of year	12,025,992	4,033,755	2,546,981	18,606,728	12,792,037	4,080,626	1,361,948	18,234,611
Net assets, end of year	\$ 13,933,674	\$ 4,430,677	\$ 2,694,177	\$ 21,058,528	\$ 12,025,992	\$ 4,033,755	\$ 2,546,981	\$ 18,606,728

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,451,800	\$ 372,117
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	96,675	90,876
Loss on disposal of land available for sale	13,200	500
Loss (gain) on disposal of property and equipment	250	(92,061)
Donation of equipment	-	22,241
Donation of real estate	-	1,198,000
Net unrealized and realized (gain) on investments	(1,755,419)	(565,185)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(15,820)	26,018
(Increase) decrease in pledges receivable	15,794	155,850
(Increase) decrease in beneficial interest in charitable lead trust	68,919	65,017
(Increase) decrease in inventory	(43,822)	64,546
(Increase) decrease in other assets	6,591	20,858
Increase (decrease) in accounts payable and accrued expenses	159,414	110,920
Increase (decrease) in liability under agency relationship	(90,403)	(74,889)
Increase (decrease) in liability under unitrust agreement	(38,455)	(22,748)
Net cash provided by operating activities	<u>868,724</u>	<u>1,372,060</u>
<b>Cash flows from investing activities</b>		
Purchases of land and property and equipment	(248,476)	(1,518,134)
Proceeds from sale of land available for sale	10,000	70,000
Net (increase) decrease in investments	<u>(399,302)</u>	<u>(958,554)</u>
Net cash (used in) investing activities	<u>(637,778)</u>	<u>(2,406,688)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	-	1,300,000
Payment of long-term debt	<u>(4,252)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(4,252)</u>	<u>1,300,000</u>
Net increase in cash and cash equivalents	226,694	265,372
Cash and cash equivalents at beginning of year	<u>1,752,274</u>	<u>1,486,902</u>
Cash and cash equivalents at end of year	<u>\$ 1,978,968</u>	<u>\$ 1,752,274</u>
<b>Supplemental information</b>		
Interest paid	<u>\$ 48,298</u>	<u>\$ 40,165</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, 2017 AND 2016

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### Note 1—Summary of significant accounting policies

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

*Program Support* – Program Support includes capital projects, field conservation and animal welfare programs, animal and horticultural purchases and general operational needs. In July of 2016, the Society also supported the Park with the noncash donation of real estate for the fair value of \$1,198,000. The Society borrowed \$1,300,000 (see Note 9) in January of 2016 to purchase real estate for the Park (\$1,104,178) and the Society (\$200,466). The \$93,822 gain on the donation of real estate to the Park is included on the Statement of Activities under gain on disposal of property and equipment. There were not any donations of land or real estate to the Park on behalf of the Society during the year ended December 31, 2017.

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

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

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

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

*Temporarily Restricted Contributions – Grants* – Temporarily restricted contributions include a number of grants from local fundraising organizations in addition to donor-restricted contributions. These grants totaled \$156,500 and \$586,946 during the years ended December 31, 2017 and 2016, respectively. There were no Federal or state government grants.

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

The Park provides office and gift shop facilities for the Society at no charge. For the years ended December 31, 2017 and 2016, in-kind support in the amount of \$64,880 and \$59,312, respectively, was recognized in the statements of activities for the use of these facilities.

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

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

# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

*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.

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

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

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

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

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

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

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

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

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

# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

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

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

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

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

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

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

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

### Note 2—Deposits

The Society places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2017 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, 2017 and 2016, the Society had \$1,234,860 and \$1,021,929, respectively, which exceeded these insured or collateralized amounts.

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

DECEMBER 31, 2017 AND 2016

**Note 3—Investments**

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

	December 31, 2017			December 31, 2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<b>General</b>						
U.S. Government obligations	\$ 703,606	\$ 694,362	\$ (9,244)	\$ 718,184	\$ 709,559	\$ (8,625)
Marketable corporate securities	5,823,113	7,078,820	1,255,707	5,399,101	5,809,894	410,793
Other complementary strategies	575,610	589,279	13,669	580,352	575,091	(5,261)
Real asset funds	374,205	370,305	(3,900)	330,433	340,421	9,988
Stock and bond mutual funds	4,347,643	4,439,360	91,717	4,069,235	4,046,605	(22,630)
	<u>11,824,177</u>	<u>13,172,126</u>	<u>1,347,949</u>	<u>11,097,305</u>	<u>11,481,570</u>	<u>384,265</u>
<b>Investments held in Trust</b>						
Money market funds	54,485	54,485	-	129,815	129,815	-
Marketable corporate securities	202,737	485,357	282,620	202,880	499,225	296,345
Stock and bond mutual funds	666,892	692,432	25,540	638,018	632,412	(5,606)
	<u>924,114</u>	<u>1,232,274</u>	<u>308,160</u>	<u>970,713</u>	<u>1,261,452</u>	<u>290,739</u>
<b>Endowments</b>						
U.S. Government obligations	406,533	401,192	(5,341)	425,233	420,127	(5,106)
Marketable corporate securities	1,910,639	2,237,784	327,145	1,617,786	1,738,430	120,644
Real asset funds	216,210	213,957	(2,253)	195,647	201,561	5,914
Other complementary strategies	332,579	340,476	7,897	343,623	340,509	(3,114)
Stock and bond mutual funds	590,689	605,029	14,340	621,983	611,466	(10,517)
	<u>3,456,650</u>	<u>3,798,438</u>	<u>341,788</u>	<u>3,204,272</u>	<u>3,312,093</u>	<u>107,821</u>
	<u>\$ 16,204,941</u>	<u>\$ 18,202,838</u>	<u>\$ 1,997,897</u>	<u>\$ 15,272,290</u>	<u>\$ 16,055,115</u>	<u>\$ 782,825</u>

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

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	\$ 391,559	\$ 69,022	\$ 478	\$ 461,059	\$ 260,788	\$ 40,801	\$ 331	\$ 301,920
Realized and unrealized gain	1,529,513	106,689	119,217	1,755,419	487,648	43,579	33,958	565,185
	<u>\$ 1,921,072</u>	<u>\$ 175,711</u>	<u>\$ 119,695</u>	<u>\$ 2,216,478</u>	<u>\$ 748,436</u>	<u>\$ 84,380</u>	<u>\$ 34,289</u>	<u>\$ 867,105</u>

Investment income from regular investments and endowments for 2017 is net of \$53,499 and \$16,568 in administrative fees, respectively. Investment income from regular investments and endowments for 2016 is net of \$49,870 and \$11,958 in administrative fees, respectively.

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

DECEMBER 31, 2017 AND 2016

**Note 3—Investments (continued)**

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

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

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

	<b>As of December 31, 2017</b>			
	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
Assets				
Money market funds	\$ -	\$ 764,396	\$ -	\$ 764,396
Domestic and international equities	9,801,963	-	-	9,801,963
Real asset funds	584,262	-	-	584,262
Fixed income - bonds	-	1,880,492	-	1,880,492
Fixed income - mutual funds	5,881,639	-	-	5,881,639
Beneficial interest in trust	-	-	99,375	99,375
	<u>\$ 16,267,864</u>	<u>\$ 2,644,888</u>	<u>\$ 99,375</u>	<u>\$ 19,012,127</u>
	<b>As of December 31, 2016</b>			
	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
Assets				
Money market funds	\$ -	\$ 884,252	\$ -	\$ 884,252
Domestic and international equities	8,047,549	-	-	8,047,549
Real asset funds	541,982	-	-	541,982
Fixed income - bonds	-	1,881,328	-	1,881,328
Fixed income - mutual funds	5,454,440	-	-	5,454,440
Beneficial interest in trust	-	-	92,377	92,377
	<u>\$ 14,043,971</u>	<u>\$ 2,765,580</u>	<u>\$ 92,377</u>	<u>\$ 16,901,928</u>

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 2017 and 2016.

During the years ended December 31, 2017 and 2016, 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, 2017 AND 2016

**Note 3—Investments (continued)**

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

	<u>2017</u>	<u>2016</u>
Beneficial interest in trust	\$ 99,375	\$ 92,377
Included in cash and cash equivalents	709,914	754,436
Investments	18,202,838	16,055,115
	<u>\$ 19,012,127</u>	<u>\$ 16,901,928</u>

**Note 4—Beneficial interest in trust**

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

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

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

	<u>2017</u>	<u>2016</u>
Beginning fair value	\$ 92,377	\$ 96,205
Net investment earnings gain/(loss)	13,390	5,192
Fees	(1,500)	(750)
Distributions	(4,892)	(8,270)
Ending fair value	<u>\$ 99,375</u>	<u>\$ 92,377</u>

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

DECEMBER 31, 2017 AND 2016

**Note 5—Pledges receivable**

Pledges receivable consisted of the following:

	December 31	
	2017	2016
Membership pledges	\$ 66,634	\$ 64,554
Other pledges	200,928	225,746
Gross pledges receivable	267,562	290,300
Less discount to net present value	(1,941)	(8,885)
Less allowance for uncollectible contributions	(18,000)	(18,000)
Net pledges receivable	<u>\$ 247,621</u>	<u>\$ 263,415</u>

	December 31	
	2017	2016
Amounts due in		
Less than one year	\$ 128,421	\$ 133,342
One to five years	85,489	100,000
Greater than five years	53,652	56,958
	<u>\$ 267,562</u>	<u>\$ 290,300</u>

Pledges receivable that are due beyond one year are discounted to their estimated net present value. The discount rate is selected at the inception of the pledge receivable and based on a rate of return for risk-free investments covering a similar period of time. The discount rates at both December 31, 2017 and 2016 was 2%.

**Note 6—Split interest agreements**

*Charitable remainder trust – Society as trustee*

The Society administers, as trustee, a charitable remainder trust established during 2004. The charitable remainder trust provides for the payment of distributions to the grantor over the donor's life expectancy, which is the trust's term. At the end of the trust's term, the remaining assets are available for the Society's use. The portion of the trust attributable to the present value of the future benefits to be received by the Society is recorded in the statements of activities as a temporarily restricted contribution in the period that the trust is established or when additional gifts are made by the donors. Assets held in the charitable remainder trust totaled \$1,232,274 and \$1,261,452 at December 31, 2017 and 2016, respectively, and were reported at fair market value in the Society's statements of financial position. On an annual basis, the Society revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The agreement provides for distributions to the grantors of an amount equal to 8% of the net fair market value of the Trust assets valued at the beginning of each taxable year. The present value of the estimated future payments (\$974,951 and \$1,013,406 at December 31, 2017 and 2016, respectively) is calculated using a discount rate of 5% and applicable mortality tables. There were no gifts to the trust during 2017 and 2016.

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

DECEMBER 31, 2017 AND 2016

**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 2017 and 2016, 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 \$41,408 and \$45,310 in 2017 and 2016, respectively.

	December 31	
	2017	2016
<b>Beneficial interest in charitable lead trust</b>		
Beginning of year	\$ 1,055,456	\$ 1,120,473
Change in value	41,408	45,310
Payment from charitable lead trust	(110,327)	(110,327)
End of year	<u>\$ 986,537</u>	<u>\$ 1,055,456</u>

*Charitable remainder trust - other*

The Society was notified in prior years that three trusts named the Society as a beneficiary of charitable remainder trusts established by donors. A charitable remainder trust provides for the payment of distributions to the grantor over the donor’s life expectancy, which is the trust’s term. At the end of the trust’s term, the remaining assets will be distributed for the Society’s use. A portion of the trust attributed to the present value of the future benefits to be received by the Society is recorded in the statements of activities as a temporarily restricted contribution and in the statements of financial position as a contribution receivable from the charitable remainder trust. The present value of the estimated future payment was calculated using a discount rate of 5% for the trust recorded in 2006 and 2% for the two trusts recorded in 2010. The Society has recognized \$89,143 as its interest in these three unitrusts through December 31, 2017.



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

DECEMBER 31, 2017 AND 2016

**Note 7—Property and equipment**

A summary of property and equipment was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Land improvements	\$ 7,564	\$ 7,564
Land	2,503,784	2,418,139
Buildings and improvements	1,250,756	1,236,342
Fixtures and equipment - gift shops	145,049	108,858
Furniture and equipment - office	247,495	228,152
Automobiles	171,965	128,452
Leasehold improvements	120,903	113,595
Construction-in-progress	30,044	-
	<u>4,477,560</u>	<u>4,241,102</u>
Less accumulated depreciation	905,165	820,258
	<u>\$ 3,572,395</u>	<u>\$ 3,420,844</u>

**Note 8—Property held for resale**

The Society owned various parcels of land that were previously donated and valued at the estimated fair market value at the time of the gift. Subsequent sales resulted in adjustments to the values as follows:

<b><u>Land Available for Sale</u></b>	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 23,200	\$ 93,700
Property sold	(23,200)	(70,500)
Ending balance	<u>\$ -</u>	<u>\$ 23,200</u>

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

DECEMBER 31, 2017 AND 2016

**Note 9—Note payable**

Note payable consisted of the following:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Promissory note dated November 21, 2015 which allows the Society to borrow up to \$2,017,500. This note refinances the previous note which had substantially similar terms with a principal balance of \$717,500. The note is payable in 35 monthly payments of interest only with all principal and unpaid accrued interest due November 5, 2018. The interest rate is the LIBOR rate plus 1.5% (3.06% at December 31, 2017). The loan is collateralized by investments held in an account at the same financial institution. At December 31, 2017, funds in that account totaled \$7,460,901. The Society may withdraw funds from the account, provided there are no loan defaults and as long as the market value of the account equals or exceeds 133% of the outstanding balance of the loan.	<u>\$ 2,013,248</u>	<u>\$ 2,017,500</u>

Maturities of debt are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2018	<u>\$ 2,013,248</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:

- 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.
- 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.

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

DECEMBER 31, 2017 AND 2016

**Note 11—Temporarily restricted net assets**

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

	December 31	
	2017	2016
<u>Purpose restrictions</u>		
Animal welfare and initiatives	\$ 79,650	\$ 78,742
Conservation programs and initiatives	905,202	1,029,522
Design programs and initiatives	156,950	234,841
Education programs and initiatives	119,122	46,620
Horticulture programs and initiatives	40,773	43,855
Planning and facilities	1,377,636	827,211
Undistributed endowment gains	46,540	39,024
Veterinary programs and initiatives	1,356,311	1,363,740
Zoo visitor growth and awareness	2,028	23,406
Total purpose restrictions	<u>4,084,212</u>	<u>3,686,961</u>
<u>Time restrictions</u>		
Graham charitable remainder trust	257,323	249,071
Haggard charitable remainder trusts	62,109	67,919
Peters charitable remainder trust	27,033	29,804
Total time restrictions	<u>346,465</u>	<u>346,794</u>
Total temporarily restricted net assets	<u>\$ 4,430,677</u>	<u>\$ 4,033,755</u>

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

DECEMBER 31, 2017 AND 2016

**Note 12—Permanently restricted net assets**

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Bryan Family Foundation Endowment - Gains and losses on investments remain with principal; investment income is restricted for conservation projects. Invested with a bank trust department.	\$ 76,798	\$ 68,491
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.	121,510	106,558
Jane Craig Hanes Endowment - Gains and losses on investments remain with principal; investment income is restricted for projects. Invested with a bank trust department.	932,918	834,781
Jason Zwerin Endowment - All income including gains and losses on long-term investments are restricted for animal related projects. Invested with the Foundation for the Carolinas.	18,075	18,075
Layne Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,000	1,000
Nina Belle Redditt Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	210,846	210,846
Sloan Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,270,063	1,270,063
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
Capital Growth Endowment - All income including gains and losses on long-term investments are unrestricted. Deposited in a checking account while in the process of investing in a bank trust department.	25,800	-
	<u>\$ 2,694,177</u>	<u>\$ 2,546,981</u>

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

DECEMBER 31, 2017 AND 2016

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

Unrestricted net assets are not subject to donor-imposed restrictions. The Board designated reserves are based on the current needs of the Park. The Society's Board has designated some of these unrestricted net assets for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Animal welfare and enrichment	\$ 64,187	\$ 55,095
Conservation programs and initiatives	173,034	181,734
Design programs and initiatives	31,983	10,762
Education programs and initiatives	70,495	83,047
Emergency reserve	908,515	800,930
Horticulture programs and initiatives	67,364	83,252
Lion's Pride	10,916,984	9,336,474
Planning and facilities	341,664	412,540
Professional services	6,926	6,926
Veterinary programs and initiatives	37,385	28,000
Zoo visitor growth and awareness	245,786	224,764
Zoo personnel, supplements, travel, and training	293,254	218,032
	<u>\$ 13,157,577</u>	<u>\$ 11,441,556</u>

The Society has committed \$2,013,248 from Lion's Pride net assets for repayment of the remaining balance of long-term debt for the purchase of land.

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

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

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Program support	\$ 29,811	\$ 3,390
Utilized by the Society		
Management and general	99,523	103,999
Special projects (Zoo to Do and Believe in Magic)	15,700	17,845
	<u>\$ 145,034</u>	<u>\$ 125,234</u>

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

DECEMBER 31, 2017 AND 2016

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**Note 15—Operating leases**

The Society has two noncancelable operating leases for office equipment. Rental expense for leases consisted of \$6,804 and \$6,804 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under the operating leases as of December 31, 2017 were as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 6,804
2019	1,824
	<u>\$ 8,628</u>

**Note 16—Retirement plan**

The Society participates in a Defined Contribution Prototype Pension Plan administered by Branch Banking & Trust Company. Employees who work 1,000 hours or more in a year and over the age of 21 are eligible to participate. The Plan provides for a discretionary match. The Society, during 2017 and 2016, 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 2017 and 2016 was \$79,751 and \$74,642, respectively.

**Note 17—Related party transactions**

Included in accounts payable and accrued expenses as of December 31, 2017 and 2016 were \$172,668 and \$23,817 due to related parties, including \$171,392 and \$23,369, respectively, due to the North Carolina Zoological Park.

**Note 18—Endowment funds**

The Society's endowments consist of 13 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, 2017 AND 2016

**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, 2017 was as follows:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 42,313	\$ 500,000	\$ -	\$ 542,313
Donor-restricted endowment funds	360,098	507,886	2,694,177	3,562,161
Total funds	<u>\$ 402,411</u>	<u>\$ 1,007,886</u>	<u>\$ 2,694,177</u>	<u>\$ 4,104,474</u>

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

DECEMBER 31, 2017 AND 2016

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

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

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

**Changes in Endowment Net Assets as of December 31, 2017 and 2016 were as follows:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning January 1, 2016	\$ 100,101	\$ 800,491	\$ 1,361,948	\$ 2,262,540
Contributions	-	-	1,150,744	1,150,744
Investment income	30,882	21,320	331	52,533
Net appreciation (depreciation) - realized and unrealized	40,292	43,579	33,958	117,829
Amounts appropriated for expenditures	<u>(5,899)</u>	<u>(2,371)</u>	<u>-</u>	<u>(8,270)</u>
Endowment net assets, December 31, 2016	165,376	863,019	2,546,981	3,575,376
Contributions	-	-	27,501	27,501
Investment income	60,426	41,400	478	102,304
Net appreciation (depreciation) - realized and unrealized	180,328	106,689	119,217	406,234
Amounts appropriated for expenditures	<u>(3,719)</u>	<u>(3,222)</u>	<u>-</u>	<u>(6,941)</u>
Endowment net assets, December 31, 2017	<u>\$ 402,411</u>	<u>\$ 1,007,886</u>	<u>\$ 2,694,177</u>	<u>\$ 4,104,474</u>



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

DECEMBER 31, 2017 AND 2016

**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, 2017.

**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, 2017 were as follows:**

	<b>Liability Under Agency Relationship December 31, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Liability Under Agency Relationship December 31, 2017</b>
Sylvan Heights	\$ 23,750	\$ 149,711	\$ (171,195)	\$ 2,266
Beneficial Interest in a Charitable Lead Trust	1,055,456	41,408	(110,327)	986,537
	<u>\$ 1,079,206</u>	<u>\$ 191,119</u>	<u>\$ (281,522)</u>	<u>\$ 988,803</u>

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

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

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

*DECEMBER 31, 2017 AND 2016*

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**Note 21—Subsequent events**

The Society has evaluated subsequent events through March 28, 2018, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.



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

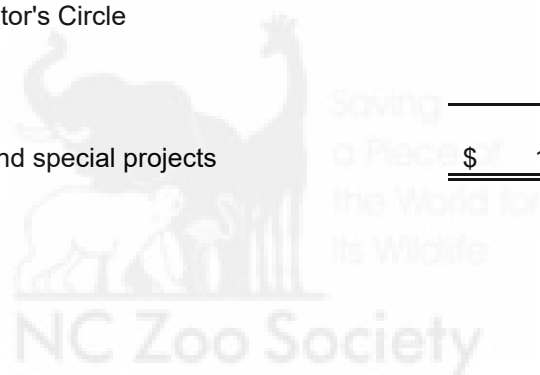
Schedule 1

**SCHEDULES OF UNRESTRICTED CONTRIBUTIONS AND SPECIAL PROJECTS**

YEARS ENDED DECEMBER 31, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
Contributions	\$ 744,062	\$ 521,905
Membership projects		
Membership discount tickets	131,811	116,148
Travel program	3,300	5,500
Education projects		
Contributions and receipts	112,527	111,382
Other projects		
Combo tickets	34,613	2,170
Learning Center	19,585	23,050
President's Club and Conservator's Circle	68,000	79,000
Miscellaneous	<u>20,065</u>	<u>19,480</u>
Total unrestricted contributions and special projects	<u>\$ 1,133,963</u>	<u>\$ 878,635</u>



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

Schedule 2

YEAR ENDED DECEMBER 31, 2017

Description	Temporarily Restricted Net Assets			Temporarily Restricted Net Assets		Total Net Assets	Temporarily Restricted Net Assets
	December 31, 2016	Donor Restricted Support	Expenses	Program Support	Other Releases		
<b><u>Purpose Restrictions</u></b>							
Animal welfare and initiatives	\$ 78,743	\$ 27,901	\$ 4,266	\$ 22,728	\$ -	\$ 26,994	\$ 79,650
Conservation programs and initiatives	1,029,520	309,785	6,931	341,527	85,645	434,103	905,202
Design programs and initiatives	234,840	(46,750)		31,140	-	31,140	156,950
Education programs and initiatives	46,620	92,557	2,351	17,704	-	20,055	119,122
Horticulture programs and initiatives	43,853	10,063	753	12,390	-	13,143	40,773
Planning and facilities	827,215	790,943	99,973	140,549	-	240,522	1,377,636
Undistributed endowment gains	39,024	8,689	1,173		-	1,173	46,540
Veterinary programs and initiatives	1,363,739	215,709	12,654	210,483	-	223,137	1,356,311
Zoo visitor growth and awareness	23,407	60,478		81,857	-	81,857	2,028
<b>Total Purpose Restrictions</b>	<b>3,686,961</b>	<b>1,469,375</b>	<b>128,101</b>	<b>858,378</b>	<b>85,645</b>	<b>1,072,124</b>	<b>4,084,212</b>
<b><u>Time Restrictions</u></b>							
Graham charitable remainder trust	249,071	8,252	-	-	-	-	257,323
Haggard charitable remainder trust (1)	40,766	(5,277)	-	-	-	-	35,489
Haggard charitable remainder trust (2)	27,153	(533)	-	-	-	-	26,620
Peters charitable remainder trust	29,804	(2,771)	-	-	-	-	27,033
<b>Total Time Restrictions</b>	<b>346,794</b>	<b>(329)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>346,465</b>
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 4,033,755</b>	<b>\$ 1,469,046</b>	<b>\$ 128,101</b>	<b>\$ 858,378</b>	<b>\$ 85,645</b>	<b>\$ 1,072,124</b>	<b>\$ 4,430,677</b>

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

Schedule 3

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Sales		
Gift shop sales	\$ 2,673,242	\$ 2,579,413
Less sales discounts	(61,245)	(68,365)
Net sales	<u>2,611,997</u>	<u>2,511,048</u>
Inventories at beginning of year	241,352	305,898
Purchases	926,056	789,682
	<u>1,167,408</u>	<u>1,095,580</u>
Less inventories at end of year	285,174	241,352
Total cost of sales	<u>882,234</u>	<u>854,228</u>
Gross profit from gift shops	<u>1,729,763</u>	<u>1,656,820</u>
Other operating income		
Rentals	174,660	160,594
Operating expenses		
Bank charges	53,554	41,356
Computer support	339	3,672
Depreciation	28,229	35,911
Dues and subscriptions	54	232
Freight-in	40,638	37,815
General insurance	4,006	3,928
Group benefits	97,553	99,688
Liquidation	623	1,300
Loss on damaged goods	5,294	5,112
Miscellaneous	3,151	3,586
Payroll taxes	30,517	30,056
Repairs and maintenance	3,836	1,870
Salaries	363,889	351,587
Supplies	8,240	7,765
Telephone	7,473	6,393
Training/Conferences/Mileage	5,087	6,781
Utilities	5,249	5,837
Warehouse services	10,000	10,000
	<u>667,732</u>	<u>652,889</u>
Total operating expenses	<u>667,732</u>	<u>652,889</u>
Net revenue from gift shops	<u>\$ 1,236,691</u>	<u>\$ 1,164,525</u>



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

Schedule 4

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Animal welfare and enrichment	\$ 73,636	\$ 90,162
Conservation programs and initiatives	523,262	375,816
Design programs and initiatives	14,920	28,910
Donation of real estate	-	1,198,000
Education programs and initiatives	142,784	84,832
Horticulture programs and initiatives	68,278	39,786
Park program services	338,225	295,858
Planning and facilities	203,725	744,797
Veterinary programs and initiatives	276,099	140,494
Zoo operational support	1,024,759	1,019,945
Zoo personnel, supplements, travel, and training	352,778	341,548
Zoo visitor growth and awareness	847,550	778,047
Zoo welfare initiatives	38,030	69,561
	<u>\$ 3,904,046</u>	<u>\$ 5,207,756</u>



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

Schedule 5

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Annual report	\$ 3,997	\$ 3,401
Auto expense	305	374
Bad debt	11,491	3,250
Bank card charges	26,204	26,051
Computer support	38,985	25,670
Depreciation	31,951	24,794
Donor cultivation	14,288	5,065
Dues and subscriptions	3,592	3,789
General insurance	19,980	19,643
Group benefits	121,930	117,902
Magazine	44,061	44,529
Mailing services	15,633	17,882
Meetings	447	1,051
Membership incentives	4,391	2,329
Miscellaneous	2,885	3,307
Office supplies	12,290	7,880
Payroll taxes	45,694	44,540
Planned giving	2,781	3,442
Postage	19,005	18,505
Printing	7,918	16,089
Professional services	21,224	29,350
Repairs and maintenance	7,086	8,267
Returns/redeposits	134	266
Salaries	576,976	562,663
Telephone	13,953	10,797
Training, conferences, and travel	6,243	8,906
	<u>          </u>	<u>          </u>
Total membership expenses	<u>\$ 1,053,444</u>	<u>\$ 1,009,742</u>



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

Schedule 6

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Auto	\$ 91	\$ 126
Computer support	2,808	2,449
Depreciation	1,415	2,781
Dues and subscriptions	269	506
General insurance	1,816	1,786
Group benefits	8,922	9,185
Meetings	1,544	1,179
Miscellaneous	2,482	1,761
Office supplies	826	976
Payroll taxes	6,204	6,877
Postage	143	140
Professional services	2,104	2,788
Repairs and maintenance	644	693
Salaries	83,076	85,763
Telephone	2,569	2,705
Training, conferences, and travel	948	1,779
Total management and general expenses	<u>\$ 115,861</u>	<u>\$ 121,494</u>





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

Schedule 7

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Auto expense	\$ 280	\$ 328
Bad debt	-	1,000
Bank card charges	25,915	26,058
Computer support	11,390	7,766
Depreciation	2,829	6,655
Donor cultivation	7,354	5,597
Dues and subscriptions	3,267	3,128
General insurance	6,176	6,071
Group benefits	26,210	28,460
Meetings	115	-
Miscellaneous	1,973	1,870
New member solicitation	71,176	73,960
Office supplies	3,113	2,053
Payroll taxes	14,095	13,423
Planned giving	2,757	3,090
Postage	2,489	3,990
Printing	1,374	2,164
Professional services	6,149	9,371
Repairs and maintenance	2,601	2,555
Salaries	177,639	165,113
Telephone	4,422	4,946
Training, conferences, and travel	2,627	4,311
Total fund raising expenses	<u>\$ 373,951</u>	<u>\$ 371,909</u>



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

Schedule 8

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Special Projects - Program Services</u>		
Adopt an Animal	\$ 5,019	\$ 3,990
Learning Center	16,853	19,115
Membership Special Programs	6,011	4,662
Zoo Tours	2,564	561
Travel Program	660	-
Vet Camps	15,560	10,202
Total Special Projects - Program Services	<u>46,667</u>	<u>38,530</u>
<u>Special Projects - Other</u>		
Annual Giving	20,160	27,806
Believe in the Magic of the Season	3,290	-
Conservation Endowment Program	365	418
Corporate Membership	13,069	6,764
Donor Relations	138	-
Gifts-in-Kind	99,973	103,999
Kidz Palooza	18,390	15,770
President's Club and Conservator's Circle	945	2,464
Randolph Friends of the Zoo	2,306	3,309
Zoo To Do	93,979	90,306
Total Special Projects - Other	<u>252,615</u>	<u>250,836</u>
Total special projects expenses	<u>\$ 299,282</u>	<u>\$ 289,366</u>

