

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

FINANCIAL STATEMENTS AND  
ACCOMPANYING INFORMATION

*As of and for the Years Ended December 31, 2018  
and 2017*

*And Report of Independent Auditor*

NC Zoo Society

# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

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

**Organization and Business**

As of December 31, 2018

**STATE OF INCORPORATION**

North Carolina

**MAIN FACILITY**

Asheboro, North Carolina

**DIRECTORS**

Richard W. Carroll  
Nicole A. Crawford  
William E. Currens, Jr.  
Sumner S. Finch  
Michael J. Fisher  
Scott D. Jones  
Marjorie M. Rankin  
Scott E. Reed



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

**OFFICERS**

Michael J. Fisher  
John L. Ruffin  
Marjorie M. Rankin

Chair  
Treasurer  
Secretary

Cheryl C. Turner  
Susan H. Hamilton  
D. Reid Wilson

Executive Director  
Secretary N.C.D.N.C.R  
Chief Deputy Secretary  
N.C.D.N.C.R

Scott E. Reed

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, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, 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.

### **Changes in Financial Statement Presentation**

As discussed in Note 1, the Society adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expense and the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

*Cherry Bebaert LLP*

Asheboro, North Carolina  
March 29, 2019

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

DECEMBER 31, 2018 AND 2017

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,869,052	\$ 1,978,968
Investments	16,493,117	18,202,838
Beneficial interest in trust	87,709	99,375
Pledges receivable	1,006,748	247,621
Accounts receivable	27,847	61,102
Beneficial interest in charitable lead trust	916,320	986,537
Inventory	308,341	285,174
Prepaid expenses	49,164	50,166
Cash surrender value of life insurance	3,733	3,814
Property and equipment, net of accumulated depreciation	3,929,601	3,572,395
<b>Total Assets</b>	<b>\$ 24,691,632</b>	<b>\$ 25,487,990</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 424,496	\$ 452,460
Liability under agency relationship	905,555	988,803
Liability under unitrust agreement	786,587	974,951
Note payable	2,013,248	2,013,248
<b>Total Liabilities</b>	<b>4,129,886</b>	<b>4,429,462</b>
Net Assets:		
Net assets without donor restrictions:		
Board designated endowment funds	232,273	402,411
Board designated reserves	12,328,363	13,157,577
Undesignated	28,706	373,686
Total net assets without donor restrictions	12,589,342	13,933,674
Net assets with donor restrictions	7,972,404	7,124,854
<b>Total Net Assets</b>	<b>20,561,746</b>	<b>21,058,528</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 24,691,632</b>	<b>\$ 25,487,990</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, 2018 AND 2017

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support, revenues, and reclassifications:</b>						
Contributions, grants, and special projects	\$ 956,946	\$ 1,958,415	\$ 2,915,361	\$ 1,133,963	\$ 1,152,345	\$ 2,286,308
Membership dues	2,434,351	153,557	2,587,908	2,404,692	60,653	2,465,345
Gift shop revenue, net of total direct costs of \$1,564,150 (\$1,549,966 in 2017)	1,049,504	132,087	1,181,591	1,137,105	99,586	1,236,691
Investment return	(1,185,906)	(172,866)	(1,358,772)	1,921,072	295,406	2,216,478
Change in value of unitrust	-	(32,682)	(32,682)	-	8,252	8,252
Gain (Loss) on disposal of property and equipment	-	-	-	(250)	-	(250)
Loss and expenses from sale of land available for sale	-	-	-	(14,440)	-	(14,440)
Net assets released from restrictions						
Satisfaction of purpose and time restrictions	1,190,961	(1,190,961)	-	1,072,124	(1,072,124)	-
<b>Total public support, revenues, and reclassifications</b>	<b>4,445,856</b>	<b>847,550</b>	<b>5,293,406</b>	<b>7,654,266</b>	<b>544,118</b>	<b>8,198,384</b>
<b>Expenses:</b>						
Program services:						
Program support	3,879,963	-	3,879,963	3,904,046	-	3,904,046
Membership services	1,129,581	-	1,129,581	1,053,444	-	1,053,444
Special projects	51,876	-	51,876	46,667	-	46,667
Total program services	5,061,420	-	5,061,420	5,004,157	-	5,004,157
Supporting services:						
Management and general	125,876	-	125,876	115,861	-	115,861
Special projects - other	229,948	-	229,948	252,615	-	252,615
Fundraising	372,944	-	372,944	373,951	-	373,951
<b>Total expenses</b>	<b>5,790,188</b>	<b>-</b>	<b>5,790,188</b>	<b>5,746,584</b>	<b>-</b>	<b>5,746,584</b>
<b>Change in net assets</b>	<b>(1,344,332)</b>	<b>847,550</b>	<b>(496,782)</b>	<b>1,907,682</b>	<b>544,118</b>	<b>2,451,800</b>
Net assets, beginning of year	13,933,674	7,124,854	21,058,528	12,025,992	6,580,736	18,606,728
Net assets, end of year	<u>\$ 12,589,342</u>	<u>\$ 7,972,404</u>	<u>\$ 20,561,746</u>	<u>\$ 13,933,674</u>	<u>\$ 7,124,854</u>	<u>\$ 21,058,528</u>

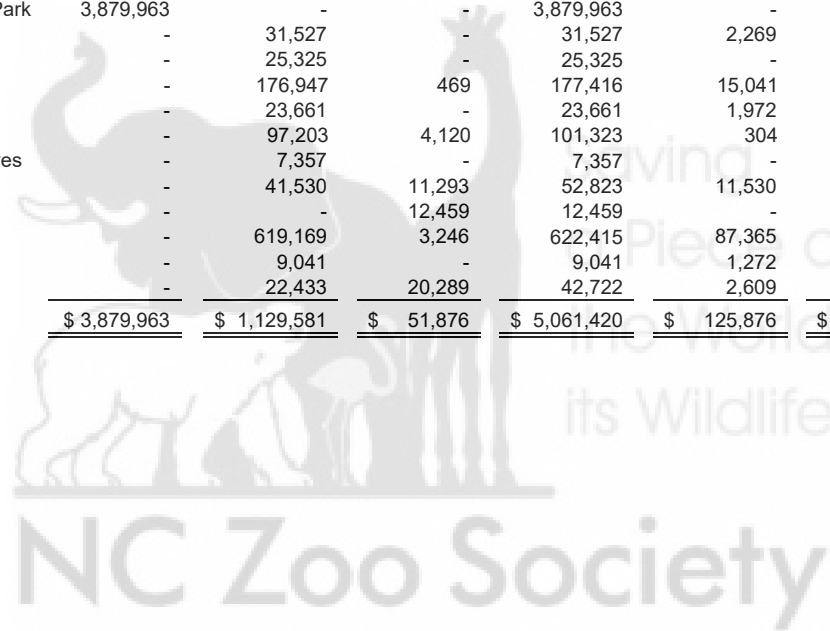
The accompanying notes to the financial statements are an integral part of this statement.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services			Total Supporting Services	Total Expenses
	Program Support	Membership Services	Special Projects	Management and General	Special Projects - Other	Fundraising		
Bank Card Fees	\$ -	\$ 30,596	\$ -	\$ 30,596	\$ -	\$ -	\$ 30,421	\$ 61,017
Computer Support	-	44,792	-	44,792	3,514	-	10,124	58,430
Contributions on Behalf of the NC Zoological Park	3,879,963	-	-	3,879,963	-	-	-	3,879,963
Depreciation	-	31,527	-	31,527	2,269	-	4,669	38,465
Donor Cultivation & Planned Giving	-	25,325	-	25,325	-	-	17,449	42,774
Employee Benefits & Payroll Taxes	-	176,947	469	177,416	15,041	-	42,523	234,980
Legal Services & Professional Fees	-	23,661	-	23,661	1,972	9,836	7,887	43,356
Marketing & Printing	-	97,203	4,120	101,323	304	17,155	3,619	122,401
New Member Solicitation/Membership Incentives	-	7,357	-	7,357	-	-	69,012	76,369
Office Supplies & Other	-	41,530	11,293	52,823	11,530	107,697	13,709	185,759
Program Expenses	-	-	12,459	12,459	-	90,570	-	103,029
Salaries & Wages	-	619,169	3,246	622,415	87,365	-	162,246	872,026
Training, Travel & Professional Development	-	9,041	-	9,041	1,272	3,337	4,646	18,296
Utilities & Maintenance	-	22,433	20,289	42,722	2,609	1,353	6,639	53,323
<b>Total Expenses</b>	<b>\$ 3,879,963</b>	<b>\$ 1,129,581</b>	<b>\$ 51,876</b>	<b>\$ 5,061,420</b>	<b>\$ 125,876</b>	<b>\$ 229,948</b>	<b>\$ 372,944</b>	<b>\$ 5,790,188</b>





# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (496,782)	\$ 2,451,800
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	103,494	96,675
Loss on disposal of land available for sale	-	13,200
Loss on disposal of property and equipment	-	250
Net unrealized and realized (gain) loss on investments	1,779,093	(1,755,419)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	33,255	(15,820)
(Increase) decrease in pledges receivable	(759,127)	15,794
(Increase) decrease in beneficial interest in charitable lead trust	70,217	68,919
(Increase) decrease in inventory	(23,167)	(43,822)
(Increase) decrease in other assets	1,083	6,591
Increase (decrease) in accounts payable and accrued expenses	(27,964)	159,414
Increase (decrease) in liability under agency relationship	(83,248)	(90,403)
Increase (decrease) in liability under unitrust agreement	(188,364)	(38,455)
Net cash provided by operating activities	<u>408,490</u>	<u>868,724</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(460,700)	(248,476)
Proceeds from sale of land available for sale	-	10,000
Net (increase) in investments	(57,706)	(399,302)
Net cash (used in) investing activities	<u>(518,406)</u>	<u>(637,778)</u>
<b>Cash flows from financing activities:</b>		
Payment of long-term debt	-	(4,252)
Net cash (used in) financing activities	<u>-</u>	<u>(4,252)</u>
Net increase (decrease) in cash and cash equivalents	(109,916)	226,694
Cash and cash equivalents at beginning of year	<u>1,978,968</u>	<u>1,752,274</u>
Cash and cash equivalents at end of year	<u>\$ 1,869,052</u>	<u>\$ 1,978,968</u>
<b>Supplemental information:</b>		
Interest paid	<u>\$ 71,848</u>	<u>\$ 48,298</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, 2018 AND 2017

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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.

*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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*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 net assets with donor restriction. When a restriction expires, the net assets are reclassified to net assets without donor restrictions.

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.

*Net Assets with Donor Restrictions - Grants* – Restricted contributions include a number of grants from local fundraising organizations in addition to donor-restricted contributions. These grants totaled \$118,819 and \$156,500 during the years ended December 31, 2018 and 2017, 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, 2018 and 2017, in-kind support in the amount of \$64,880 and \$64,880, 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 changes in net assets in the accompanying statements of activities.

# THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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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 with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions. 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 13. The other estimates did not have a significant impact on the current year financial statements.

*Fair Value Measurement* – The Fair Value Measurement and Disclosure Topic of the FASB 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, 2018 AND 2017

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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 Net Asset Value (“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 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.

*New Accounting Pronouncement* – On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. The new standards change the following aspects of the Society's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

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

DECEMBER 31, 2018 AND 2017

**Note 2—Liquidity and availability of resources**

The table below represents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,869,052
Investments	11,948,542
Endowment Investments	3,621,056
Investments held in a Charitable Trust	1,011,228
Pledges receivable	1,006,748
Accounts receivable, due within one year	<u>27,847</u>
Total financial assets	<u>19,484,473</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time, purpose or permanent endowment	(7,972,404)
Liability under unitrust agreement	(786,587)
Board designations:	
Quasi-endowment fund	(232,273)
Amounts committed to Park support *	(1,274,853)
Amounts set aside for debt retirement	<u>(2,013,248)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,205,108</u>

\*Please see more at Note 12.

As part of the Society's liquidity management plan, it structures its financial assets to be available as its obligations come due. There are established designated funds that the Society does not intend to spend on operations, however, these amounts could be made available if necessary.

The Society receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Society receives support without donor restrictions; such support has historically represented approximately 90% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions. General expenditures include administrative and general expenses, fundraising expenses and program support expenses expected to be paid in the subsequent year.

**Note 3—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, 2018 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, 2018 and 2017, the Society had \$679,646 and \$1,234,860, respectively, which exceeded these insured or collateralized amounts.

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

DECEMBER 31, 2018 AND 2017

**Note 4—Investments**

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

	December 31, 2018			December 31, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
General:						
U.S. Government obligations	\$ 445,400	\$ 438,954	\$ (6,446)	\$ 703,606	\$ 694,362	\$ (9,244)
Marketable corporate securities	7,365,782	7,221,088	(144,694)	5,823,113	7,078,820	1,255,707
Other complementary strategies	627,104	571,080	(56,024)	575,610	589,279	13,669
Real asset funds	278,013	247,679	(30,334)	374,205	370,305	(3,900)
Stock and bond mutual funds	3,707,655	3,432,277	(275,378)	4,347,643	4,439,360	91,717
	<u>12,423,954</u>	<u>11,911,078</u>	<u>(512,876)</u>	<u>11,824,177</u>	<u>13,172,126</u>	<u>1,347,949</u>
Investments held in Trust:						
Money market funds	209,620	209,620	-	54,485	54,485	-
Marketable corporate securities	35,480	64,980	29,500	202,737	485,357	282,620
Stock and bond mutual funds	836,971	736,628	(100,343)	666,892	692,432	25,540
	<u>1,082,071</u>	<u>1,011,228</u>	<u>(70,843)</u>	<u>924,114</u>	<u>1,232,274</u>	<u>308,160</u>
Endowments:						
U.S. Government obligations	239,851	236,379	(3,472)	406,533	401,192	(5,341)
Marketable corporate securities	2,429,830	2,345,543	(84,287)	1,910,639	2,237,784	327,145
Real asset funds	149,712	133,377	(16,335)	216,210	213,957	(2,253)
Other complementary strategies	337,699	307,530	(30,169)	332,579	340,476	7,897
Stock and bond mutual funds	596,780	547,982	(48,798)	590,689	605,029	14,340
	<u>3,753,872</u>	<u>3,570,811</u>	<u>(183,061)</u>	<u>3,456,650</u>	<u>3,798,438</u>	<u>341,788</u>
	<u>\$ 17,259,897</u>	<u>\$ 16,493,117</u>	<u>\$ (766,780)</u>	<u>\$ 16,204,941</u>	<u>\$ 18,202,838</u>	<u>\$ 1,997,897</u>

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

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 364,971	\$ 55,350	\$ 420,321	\$ 391,559	\$ 69,500	\$ 461,059
Net unrealized and realized gains (losses)	<u>(1,550,877)</u>	<u>(228,216)</u>	<u>(1,779,093)</u>	<u>1,529,513</u>	<u>225,906</u>	<u>1,755,419</u>
Investment return	<u>\$ (1,185,906)</u>	<u>\$ (172,866)</u>	<u>\$ (1,358,772)</u>	<u>\$ 1,921,072</u>	<u>\$ 295,406</u>	<u>\$ 2,216,478</u>

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

DECEMBER 31, 2018 AND 2017

**Note 4—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, 2018</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	\$ -	\$ 1,354,865	\$ -	\$ 1,354,865
Domestic and international equities	9,566,631	-	-	9,566,631
Real asset funds	381,056	-	-	381,056
Fixed income - bonds	-	675,333	-	675,333
Fixed income - mutual funds	5,660,477	-	-	5,660,477
Beneficial interest in trust	-	-	87,709	87,709
	<u>\$ 15,608,164</u>	<u>\$ 2,030,198</u>	<u>\$ 87,709</u>	<u>\$ 17,726,071</u>
	<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>

The changes in the beneficial interest in trust in Note 5 presents a reconciliation of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2018 and 2017.

During the years ended December 31, 2018 and 2017, 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, 2018 AND 2017

**Note 4—Investments (continued)**

Reconciliation of fair value of investments to the Statements of Financial Position:

	<u>2018</u>	<u>2017</u>
Beneficial interest in trust	\$ 87,709	\$ 99,375
Included in cash and cash equivalents	1,145,245	709,914
Investments	<u>16,493,117</u>	<u>18,202,838</u>
Total fair value of investments	<u>\$ 17,726,071</u>	<u>\$ 19,012,127</u>

**Note 5—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 approximately 62% U.S. and international equities, approximately 25% fixed income, and 13% other assets. The Foundation investment pool offers broad domestic, international and emerging market exposure via large cap and small cap securities with a modest allocation to fixed income.

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

	<u>2018</u>	<u>2017</u>
Beginning fair value	\$ 99,375	\$ 92,377
Net investment return	(5,658)	13,390
Fees	(1,500)	(1,500)
Distributions	<u>(4,508)</u>	<u>(4,892)</u>
Ending fair value	<u>\$ 87,709</u>	<u>\$ 99,375</u>



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

DECEMBER 31, 2018 AND 2017

**Note 6—Pledges receivable**

Pledges receivable consisted of the following:

	December 31	
	2018	2017
Membership pledges	\$ 68,622	\$ 66,634
Other pledges	971,128	200,928
Gross pledges receivable	1,039,750	267,562
Less discount to net present value	(15,002)	(1,941)
Less allowance for uncollectible contributions	(18,000)	(18,000)
Net pledges receivable	<u>\$ 1,006,748</u>	<u>\$ 247,621</u>

	December 31	
	2018	2017
Amounts due in		
Less than one year	\$ 424,487	\$ 128,421
One to five years	559,181	85,489
Greater than five years	56,082	53,652
	<u>\$ 1,039,750</u>	<u>\$ 267,562</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, 2018 and 2017 were 2%.

**Note 7—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 \$1,011,228 and \$1,232,274 at December 31, 2018 and 2017, 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 (\$786,587 and \$974,951 at December 31, 2018 and 2017, respectively) is calculated using a discount rate of 5% and applicable mortality tables. There were no gifts to the trust during 2018 and 2017.

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

DECEMBER 31, 2018 AND 2017

**Note 7—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 2018 and 2017, 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 \$40,110 and \$41,408 in 2018 and 2017, respectively.

	December 31	
	2018	2017
<b>Beneficial interest in charitable lead trust</b>		
Beginning of year	\$ 986,537	\$ 1,055,456
Change in value	40,110	41,408
Payment from charitable lead trust	(110,327)	(110,327)
End of year	<u>\$ 916,320</u>	<u>\$ 986,537</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 \$95,264 as its interest in these three unitrusts through December 31, 2018.

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

DECEMBER 31, 2018 AND 2017

**Note 8—Property and equipment**

A summary of property and equipment was as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Land improvements	\$ 6,314	\$ 7,564
Land	2,876,251	2,503,784
Buildings and improvements	1,332,323	1,250,756
Fixtures and equipment - gift shops	98,969	145,049
Furniture and equipment - office	212,392	247,495
Automobiles	171,965	171,965
Leasehold improvements	120,903	120,903
Construction-in-progress	6,375	30,044
	<u>4,825,492</u>	<u>4,477,560</u>
Less accumulated depreciation	895,891	905,165
	<u>\$ 3,929,601</u>	<u>\$ 3,572,395</u>

Note payable consisted of the following:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Promissory note dated November 21, 2015 which allows the Society to borrow up to \$2,017,500. The note is payable in monthly payments of interest only with all principal and unpaid accrued interest due December 5, 2019. The interest rate is the LIBOR rate plus 1.5% (3.88% at December 31, 2018). The loan is collateralized by investments held in an account at the same financial institution. At December 31, 2018, funds in that account totaled \$6,973,537. 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>\$ 2,013,248</u>

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

*DECEMBER 31, 2018 AND 2017*

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**Note 9—Note payable (continued)**

Maturities of debt are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2019	<u>\$ 2,013,248</u>

**Note 10—Net asset without donor restrictions**

Net assets without donor restrictions 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 net assets without donor restrictions when the restrictions are met in the same reporting period as the income recognized.

For internal management and recordkeeping, the Society classifies net assets without donor restrictions as follows:

- Board designated endowment funds – Board designated 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 12 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.

NC Zoo Society

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

DECEMBER 31, 2018 AND 2017

**Note 11—Net assets with donor restrictions**

*Purpose Restrictions* – Restricted support consists of contributions and proceeds of special projects, which are specified by donors for particular purposes.

*Time Restrictions* – Certain 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 net assets with donor restrictions.

*Permanent Endowment Restrictions* – Net assets with donor restrictions also 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 without restrictions.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Purpose Restrictions</u>		
Animal welfare and initiatives	\$ 63,710	\$ 79,650
Conservation programs and initiatives	664,045	905,202
Design programs and initiatives	148,908	156,950
Education programs and initiatives	116,834	119,122
Horticulture programs and initiatives	47,098	40,773
Planning and facilities	2,441,013	1,377,636
Undistributed endowment gains	46,841	46,540
Veterinary programs and initiatives	1,306,085	1,356,311
Zoo visitor growth and awareness	3,669	2,028
Total purpose restrictions	4,838,203	4,084,212
<u>Time Restrictions</u>		
Graham charitable remainder trust	224,641	257,323
Haggard charitable remainder trusts	66,879	62,109
Peters charitable remainder trust	28,385	27,033
Total time restrictions	319,905	346,465
<u>Permanent Endowment Restrictions</u>		
Bryan Family Foundation Endowment - Gains and losses on investments remain with principal; investment income is restricted for conservation projects. Invested with a bank trust department.	68,052	76,798
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

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

DECEMBER 31, 2018 AND 2017

**Note 11—Net assets with donor restrictions (continued)**

	December 31	
	2018	2017
Conservation Endowment - Gains and losses on investments remain with principal; investment income is restricted for conservation projects. Invested with a bank trust department.	105,768	121,510
Jane Craig Hanes Endowment - Gains and losses on investments remain with principal; investment income is restricted for projects. Invested with a bank trust department.	827,526	932,918
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. Invested with a bank trust department.	275,799	25,800
Total permanent endowment restrictions	2,814,296	2,694,177
Total net assets with donor restrictions	\$ 7,972,404	\$ 7,124,854

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

DECEMBER 31, 2018 AND 2017

**Note 12—Board-designated reserves – net assets without donor restrictions**

Net assets without donor restrictions 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 net assets without donor restrictions for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Animal welfare and enrichment *	\$ 143,421	\$ 64,187
Conservation programs and initiatives *	109,017	173,034
Design programs and initiatives *	23,932	31,983
Education programs and initiatives	86,728	70,495
Emergency reserve	826,349	908,515
Horticulture programs and initiatives *	57,610	67,364
Lion’s Pride	10,133,507	10,916,984
Planning and facilities *	323,859	341,664
Professional services	6,926	6,926
Veterinary programs and initiatives *	64,770	37,385
Zoo visitor growth and awareness *	231,342	245,786
Zoo personnel, supplements, travel, and training *	320,902	293,254
	<u>\$ 12,328,363</u>	<u>\$ 13,157,577</u>

\*Amounts committed to Park support (\$1,274,853 at December 31, 2018). See more at Note 2.

Lion’s Pride funds come from estates and individual donors who have left a legacy of giving to the Zoo.

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. The remaining funds from Lion's Pride \$8,120,259, Emergency Reserve \$826,349 and Professional Services \$6,926, were received from donors without any restrictions. These funds have been designated by the Board for future programs, the Park, investments, contingencies, purchase/construction of fixed assets or other uses. The Board does not intend to spend these designated funds for operations of the Society; however, the remaining balance of the uncommitted funds could be made available if the Board deems necessary.

**Note 13—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>2018</u>	<u>2017</u>
Program support (Park website, legal, and EV chargers)	\$ 47,748	\$ 29,811
Utilized by the Society:		
Management and general (Corporate memberships and office space)	105,905	99,523
Special projects (Zoo to Do and Believe in Magic)	13,550	15,700
	<u>\$ 167,203</u>	<u>\$ 145,034</u>

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

DECEMBER 31, 2018 AND 2017

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**Note 14—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, 2018 and 2017, respectively.

Future minimum lease payments under the operating leases as of December 31, 2018 were as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 6,444
2020	4,620
2021	4,620
2022	4,620
2023	4,620
	<u>\$ 24,924</u>

**Note 15—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 2018 and 2017, 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 2018 and 2017 was \$78,515 and \$79,751, respectively.

**Note 16—Related party transactions**

Included in accounts payable and accrued expenses as of December 31, 2018 and 2017 were \$141,252 and \$172,668 due to related parties, including \$140,739 and \$171,392, respectively, due to the North Carolina Zoological Park.

**Note 17—Endowment funds**

The Society's endowments consist of 13 individual funds established for a variety of purposes. Its endowments include 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, 2018 AND 2017

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### Note 17—Endowment funds (continued)

#### Interpretation of relevant law

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with donor restrictions (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 permanently restricted, is classified as net assets with donor restrictions 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.

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

DECEMBER 31, 2018 AND 2017

**Note 17—Endowment funds (continued)**

**Endowment Net Asset Composition by Type of Fund as of December 31, 2018 and 2017 were as follows:**

	<u>2018</u>	<u>2017</u>
Board-designated endowment funds	\$ 232,273	\$ 402,411
Donor-restricted endowment funds	3,752,008	3,702,063
Total funds	<u>\$ 3,984,281</u>	<u>\$ 4,104,474</u>

**Changes in Endowment Net Assets as of December 31, 2018 and 2017 were as follows:**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2017	\$ 165,376	\$ 3,410,000	\$ 3,575,376
Contributions	-	27,501	27,501
Investment income	60,426	41,878	102,304
Net appreciation (depreciation) - realized and unrealized	180,328	225,906	406,234
Amounts appropriated for expenditures	<u>(3,719)</u>	<u>(3,222)</u>	<u>(6,941)</u>
Endowment net assets, December 31, 2017	402,411	3,702,063	4,104,474
Contributions	-	249,998	249,998
Investment income	26,355	55,350	81,705
Net appreciation (depreciation) - realized and unrealized	(193,063)	(250,757)	(443,820)
Amounts appropriated for expenditures	<u>(3,430)</u>	<u>(4,646)</u>	<u>(8,076)</u>
Endowment net assets, December 31, 2018	<u>\$ 232,273</u>	<u>\$ 3,752,008</u>	<u>\$ 3,984,281</u>

**Note 18—Contingencies**

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

The 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, 2018.

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

DECEMBER 31, 2018 AND 2017

**Note 19—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, 2018 were as follows:**

	<b>Liability Under Agency Relationship December 31, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Liability Under Agency Relationship December 31, 2018</b>
Sylvan Heights	\$ 2,266	\$ 129,969	\$ (143,000)	\$ (10,765)
Beneficial Interest in a Charitable Lead Trust	986,537	40,110	(110,327)	916,320
	<u>\$ 988,803</u>	<u>\$ 170,079</u>	<u>\$ (253,327)</u>	<u>\$ 905,555</u>

**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>

**Note 20—Subsequent events**

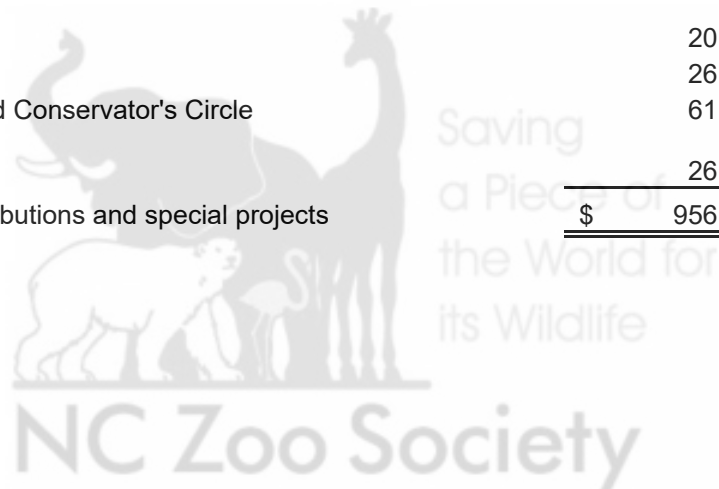
The Society has evaluated subsequent events through March 29, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SCHEDULES OF CONTRIBUTIONS, GRANTS, AND SPECIAL PROJECTS**  
**WITHOUT DONOR RESTRICTIONS**

Schedule 1

*YEARS ENDED DECEMBER 31, 2018 AND 2017*

	<u>2018</u>	<u>2017</u>
Contributions	\$ 588,281	\$ 744,062
Membership projects:		
Membership discount tickets	124,662	131,811
Travel program	-	3,300
Education projects:		
Contributions and receipts	109,438	112,527
Other projects:		
Combo tickets	20,320	34,613
Learning Center	26,398	19,585
President's Club and Conservator's Circle	61,000	68,000
Miscellaneous	26,847	20,065
Total unrestricted contributions and special projects	<u>\$ 956,946</u>	<u>\$ 1,133,963</u>



**THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**  
**SCHEDULE OF SUPPORT, RELEASES, AND NET ASSETS WITH DONOR RESTRICTIONS**

Schedule 2

YEAR ENDED DECEMBER 31, 2018

Description	Net Assets With Donor Restriction		Net Assets Released From Restrictions				Net Assets With Donor Restriction
	December 31, 2017	Donor Restricted Support	Program Support	Program			December 31, 2018
				Expenses	Other	Total	
<b><u>Purpose Restrictions</u></b>							
Animal Welfare and Initiatives	\$ 79,650	\$ 7,919	\$ 16,592	\$ 40,451	\$ -	\$ 40,451	\$ 63,710
Conservation Programs and Initiatives	905,202	316,308	176,493	367,490	366,468	733,958	664,045
Design Programs and Initiatives	156,950	8,250	-	16,292	-	16,292	148,908
Education Programs and Initiatives	119,122	5,188	7,246	14,722	-	14,722	116,834
Horticulture Programs and Initiatives	40,773	10,085	1,481	5,241	-	5,241	47,098
Planning and Facilities	1,377,636	1,203,198	71,932	211,753	-	211,753	2,441,013
Undistributed Endowment Gains	46,540	301	-	-	-	-	46,841
Veterinary Programs and Initiatives	1,356,311	13,796	46,869	110,891	-	110,891	1,306,085
Zoo Visitor Growth and Awareness	2,028	47,748	11,546	57,653	-	57,653	3,669
<b>Total Purpose Restrictions</b>	<b>4,084,212</b>	<b>1,612,793</b>	<b>332,159</b>	<b>824,493</b>	<b>366,468</b>	<b>1,190,961</b>	<b>4,838,203</b>
<b><u>Time Restrictions</u></b>							
Graham Charitable Remainder Trust	257,323	(32,682)	-	-	-	-	224,641
Haggard Charitable Remainder Trust (1)	35,489	3,694	-	-	-	-	39,183
Haggard Charitable Remainder Trust (2)	26,620	1,076	-	-	-	-	27,696
Peters Charitable Remainder Trust	27,033	1,352	-	-	-	-	28,385
<b>Total Time Restrictions</b>	<b>346,465</b>	<b>(26,560)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>319,905</b>
<b><u>Permanent Endowment Restrictions</u></b>							
Bryan Family Foundation	76,798	(8,746)	-	-	-	-	68,052
Chadwell	1,000	-	-	-	-	-	1,000
Cato-Goodyear	11,167	-	-	-	-	-	11,167
Conservation	121,510	(15,742)	-	-	-	-	105,768
Jane Craig Hanes	932,918	(105,392)	-	-	-	-	827,526
Jason Zwerin	18,075	-	-	-	-	-	18,075
Layne	1,000	-	-	-	-	-	1,000
Nina Bella Redditt	210,846	-	-	-	-	-	210,846
Sloan	1,270,063	-	-	-	-	-	1,270,063
Warner Atkins	25,000	-	-	-	-	-	25,000
Capital Growth	25,800	249,999	-	-	-	-	275,799
<b>Total Permanent Endowment Restrictions</b>	<b>2,694,177</b>	<b>120,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,814,296</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 7,124,854</b>	<b>\$1,706,352</b>	<b>\$332,159</b>	<b>\$ 824,493</b>	<b>\$ 366,468</b>	<b>\$ 1,190,961</b>	<b>\$ 7,972,404</b>

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

Schedule 3

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Sales:		
Gift shop sales	\$ 2,636,727	\$ 2,673,242
Less sales discounts	(62,074)	(61,245)
Net sales	<u>2,574,653</u>	<u>2,611,997</u>
Inventories at beginning of year	285,174	241,352
Purchases	871,299	926,056
	<u>1,156,473</u>	<u>1,167,408</u>
Less inventories at end of year	308,341	285,174
Total cost of sales	<u>848,132</u>	<u>882,234</u>
Gross profit from gift shops	<u>1,726,521</u>	<u>1,729,763</u>
Other operating income:		
Rentals	171,088	174,660
Operating expenses:		
Bank charges	41,430	53,554
Computer support	1,665	339
Depreciation	32,051	28,229
Dues and subscriptions	988	54
Freight-in	33,715	40,638
General insurance	4,408	4,006
Group benefits	85,015	97,553
Liquidation	351	623
Loss on damaged goods	4,359	5,294
Miscellaneous	5,299	3,151
Payroll taxes	30,082	30,517
Repairs and maintenance	1,491	3,836
Salaries	398,603	363,889
Supplies	7,231	8,240
Telephone	7,600	7,473
Training/Conferences/Mileage	5,925	5,087
Utilities	4,427	5,249
Vending Expenses	41,357	-
Warehouse services	10,021	10,000
Total operating expenses	<u>716,018</u>	<u>667,732</u>
Net revenue from gift shops	<u>\$ 1,181,591</u>	<u>\$ 1,236,691</u>

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

Schedule 4

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Animal Welfare and Enrichment	\$ 91,150	\$ 73,636
Conservation Programs and Initiatives	555,365	523,262
Design Programs and Initiatives	29,343	14,920
Education Programs and Initiatives	107,927	142,784
Horticulture Programs and Initiatives	54,995	68,278
Park Program Services	387,640	338,225
Planning and Facilities	99,642	203,725
Veterinary Programs and Initiatives	148,510	276,099
Zoo Operational Support	1,635,231	1,024,759
Zoo Personnel, Supplements, Travel, and Training	406,352	352,778
Zoo Visitor Growth and Awareness	247,408	847,550
Zoo Welfare Initiatives	116,400	38,030
	<u>\$ 3,879,963</u>	<u>\$ 3,904,046</u>



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

Schedule 5

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Annual report	\$ 1,317	\$ 3,997
Auto expense	325	305
Bad debt	8,875	11,491
Bank card charges	30,596	26,204
Computer support	44,792	38,985
Continuing Education /Incentives	2,595	-
Depreciation	31,527	31,951
Donor cultivation	22,421	14,288
Dues and subscriptions	3,041	3,592
General insurance	16,057	19,980
Group benefits	129,333	121,930
Magazine	43,531	44,061
Mailing services	23,228	15,633
Meetings	439	447
Membership incentives	7,357	4,391
Miscellaneous	4,751	2,885
Office supplies	6,671	12,290
Payroll taxes	47,614	45,694
Planned giving	2,904	2,781
Postage	23,253	19,005
Printing	7,191	7,918
Professional services	23,661	21,224
Repairs and maintenance	7,652	7,086
Returns/redeposits	54	134
Salaries	619,169	576,976
Telephone	14,781	13,953
Training, conferences, and travel	6,446	6,243
Total membership expenses	<u>\$ 1,129,581</u>	<u>\$ 1,053,444</u>





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

Schedule 6

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Auto	\$ -	\$ 91
Computer support	3,514	2,808
Depreciation	2,269	1,415
Dues and subscriptions	748	269
General insurance	1,259	1,816
Group benefits	8,775	8,922
Meetings	3,517	1,544
Miscellaneous	3,850	2,482
Office perks	891	-
Office supplies	1,265	826
Payroll taxes	6,266	6,204
Postage	188	143
Printing	116	-
Professional services	1,972	2,104
Repairs and maintenance	673	644
Salaries	87,365	83,076
Telephone	1,936	2,569
Training, conferences, and travel	1,272	948
Total management and general expenses	<u>\$ 125,876</u>	<u>\$ 115,861</u>



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

Schedule 7

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Auto expense	\$ 270	\$ 280
Bad debt expense	500	-
Bank card charges	30,421	25,915
Continuing education/incentives	2,307	-
Computer support	10,124	11,390
Depreciation	4,669	2,829
Donor cultivation	14,630	7,354
Dues and subscriptions	2,591	3,267
General insurance	5,352	6,176
Group benefits	30,410	26,210
Meetings	246	115
Miscellaneous	2,838	1,973
New member solicitation	69,012	71,176
Office supplies	1,912	3,113
Payroll taxes	12,113	14,095
Planned giving	2,819	2,757
Postage	1,495	2,489
Printing	2,124	1,374
Professional services	7,887	6,149
Repairs and maintenance	3,109	2,601
Salaries	162,246	177,639
Telephone	3,530	4,422
Training, conferences, and travel	2,339	2,627
Total fundraising expenses	<u>\$ 372,944</u>	<u>\$ 373,951</u>



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

Schedule 8

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Special Projects - Program Services</u>		
Adopt an Animal	\$ 4,609	\$ 5,019
Learning Center	24,570	16,853
Membership Special Programs	8,739	6,011
Zoo Tours	4,094	2,564
Travel Program	634	660
Vet Camps	9,230	15,560
Total Special Projects - Program Services	<u>51,876</u>	<u>46,667</u>
<u>Special Projects - Other</u>		
Annual Giving	12,856	20,160
Believe in the Magic of the Season	16,559	3,290
Conservation Endowment Program	287	365
Corporate Membership	12,172	13,069
Donor Relations	335	138
Gifts-in-Kind	79,080	99,973
Kidz Palooza	12,577	18,390
President's Club and Conservator's Circle	27	945
Randolph Friends of the Zoo	2,173	2,306
Zoo To Do	93,882	93,979
Total Special Projects - Other	<u>229,948</u>	<u>252,615</u>
Total Special Projects Expenses	<u>\$ 281,824</u>	<u>\$ 299,282</u>

