

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Notes to Financial Statements
For Years Ended December 31, 2019 and 2018

NOTE 18 - ENDOWMENT FUNDS (Continued)

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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Board-designated endowment funds	\$ 722,383	\$ 232,273
Donor-restricted endowment funds	5,041,127	3,752,008
Total funds	<u><u>\$ 5,763,510</u></u>	<u><u>\$ 3,984,281</u></u>

Changes in endowment net assets are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2019</u>			
Endowments net assets, beginning of year	\$ 232,273	\$ 3,752,008	\$ 3,984,281
Contributions	-	-	-
Investment income	68,449	162,232	230,681
Net appreciation - realized and unrealized	435,481	1,159,262	1,594,743
Amounts appropriated for expenditures	(13,820)	(32,375)	(46,195)
Endowments net assets, end of year	<u><u>\$ 722,383</u></u>	<u><u>\$ 5,041,127</u></u>	<u><u>\$ 5,763,510</u></u>
<u>December 31, 2018</u>			
Endowments net assets, beginning of year	\$ 402,411	\$ 3,702,063	\$ 4,104,474
Contributions	-	249,998	249,998
Investment income	26,355	55,350	81,705
Net appreciation - realized and unrealized	(193,063)	(250,757)	(443,820)
Amounts appropriated for expenditures	(3,430)	(4,646)	(8,076)
Endowments net assets, end of year	<u><u>\$ 232,273</u></u>	<u><u>\$ 3,752,008</u></u>	<u><u>\$ 3,984,281</u></u>

NOTE 19 - CONTINGENCIES

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

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**Notes to Financial Statements****For Years Ended December 31, 2019 and 2018****NOTE 19 - CONTINGENCIES (Continued)**

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, 2019.

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, 2019 were as follows:

	Liability Under Agency Relationship 12/31/2018	Increases	Decreases	Liability Under Agency Relationship 12/31/2019
Sylvan Heights	\$ (10,765)	\$ 31,321	\$ (24,956)	\$ (4,400)
Beneficial interest in a Charitable Lead Trust	916,320	36,753	(110,327)	842,746
	<u>\$ 905,555</u>	<u>\$ 68,074</u>	<u>\$ (135,283)</u>	<u>\$ 838,346</u>

Agency Transactions as of December 31, 2018 were as follows

	Liability Under Agency Relationship 12/31/2017	Increases	Decreases	Liability Under Agency Relationship 12/31/2018
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>

NOTE 21 - SUBSEQUENT EVENTS

The recent COVID-19 outbreak in the United States and around the world has directly impacted the North Carolina Zoological Society with a reduction in revenue through membership and gift shop sales. While the disruption is expected to be temporary, the extent of the impact of COVID-19 on our operational and financial performance will depend on the duration and spread of the virus, and its impact to the Society, employees and vendors all of which are uncertain. As of the date of these financial statements, the extent to which COVID-19 may impact the Society financial condition or results of operations cannot be reasonably estimated. In response to COVID-19, the Society on April 16, 2020 borrowed \$750,000 on the \$5,000,000 line of credit. The Society also on April 23, 2020 applied and received \$266,600 from the Federal Government Forgivable Loan Program through BB&T now Truist.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Schedule 1

Schedules of Contributions, Grants, and Special Projects Without Donor Restrictions

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Contributions*	\$ 3,938,142	\$ 588,281
Membership projects:		
Membership discount tickets	169,980	124,662
Travel program	1,950	-
Education projects:		
Contributions and receipts	91,635	109,438
Other projects:		
Combo tickets	19,418	20,320
Learning Center	27,745	26,398
President's Club and Conservator's Circle	77,468	61,000
Miscellaneous	<u>20,749</u>	<u>26,847</u>
Total unrestricted contributions and special projects	<u><u>\$ 4,347,087</u></u>	<u><u>\$ 956,946</u></u>

*Includes capital growth



THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedule of Support, Releases, and Net Assets with Donor Restrictions
Year Ended December 31, 2019

Schedule 2

Description	Net Assets With Donor Restriction 12/31/2018	Donor Restricted Support	Program Support	Net Assets Released From Restrictions		Net Assets With Donor Restriction 12/31/2019
				Program Expenses	Total	
Purpose Restrictions						
Animal welfare and initiatives	\$ 63,710	\$ 171,822	\$ 22,181	\$ 202,038	\$ 202,038	\$ 55,675
Conservation programs and initiatives	664,045	545,788	212,702	533,776	533,776	888,759
Design programs and initiatives	148,908	50	-	25,568	25,568	123,390
Education programs and initiatives	116,834	16,066	-	47,862	47,862	85,038
Horticulture programs and initiatives	47,098	11,762	2,640	5,865	5,865	55,635
Planning and facilities	2,441,013	1,037,369	418,092	515,038	515,038	3,381,436
Undistributed endowment gains	46,841	9,329	2,117	-	-	58,287
Veterinary programs and initiatives	1,306,085	16,056	236,023	37,664	37,664	1,520,500
Zoo visitor growth and awareness	3,669	26,495	28,500	58,070	58,070	594
Total Purpose Restrictions	<u>4,838,203</u>	<u>1,834,737</u>	<u>922,255</u>	<u>1,425,881</u>	<u>1,425,881</u>	<u>6,169,314</u>
Time Restrictions						
Graham Charitable Remainder Trust	224,641	-	120,939	-	-	345,580
Haggard Charitable Remainder Trust (1)	39,183	(14)	-	-	-	39,169
Haggard Charitable Remainder Trust (2)	27,696	(6)	-	-	-	27,690
Peters Charitable Remainder Trust	28,385	17	-	-	-	28,402
Total Time Restrictions	<u>319,905</u>	<u>(3)</u>	<u>120,939</u>	<u>-</u>	<u>-</u>	<u>440,841</u>
Permanent Endowment Restrictions						
Bryan Family Foundation	68,052	13,203	-	-	-	81,255
Chadwell	1,000	-	-	-	-	1,000
Cato-Goodyear	11,167	-	-	-	-	11,167
Conservation	105,768	23,766	-	-	-	129,534
Jane Craig Hanes	827,526	155,039	-	-	-	982,565
Jason Zwerin	18,075	-	-	-	-	18,075
Layne	1,000	-	-	-	-	1,000
Nia Bella Redditt	210,846	-	-	-	-	210,846
Sloan	1,270,063	-	-	-	-	1,270,063
Warner Atkins	25,000	-	-	-	-	25,000
Capital Growth	275,799	-	-	-	-	275,799
Total Permanent Endowment Restrictions	<u>2,814,296</u>	<u>192,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,006,304</u>
Total Net Assets with Donor Restrictions	<u>\$ 7,972,404</u>	<u>\$ 2,026,742</u>	<u>\$ 1,043,194</u>	<u>\$ 1,425,881</u>	<u>\$ 1,425,881</u>	<u>\$ 9,616,459</u>

See Independent Auditor's Report

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Revenue- Gift Shops, Net of Direct Costs
Years Ended December 31, 2019 and 2018

Schedule 3

	<u>2019</u>	<u>2018</u>
Sales:		
Gift shop sales	\$ 2,987,224	\$ 2,636,727
Less: sales discounts	(66,911)	(62,074)
Net sales	<u>2,920,313</u>	<u>2,574,653</u>
Inventories at beginning of year	308,341	285,174
Purchases	916,635	871,299
	1,224,976	1,156,473
Less inventories at end of year	262,407	308,341
Total cost of sales	<u>962,569</u>	<u>848,132</u>
Gross profit from gift shops	<u>1,957,744</u>	<u>1,726,521</u>
Other operating income:		
Rentals	<u>189,856</u>	<u>171,088</u>
Operating expenses:		
Bank charges	34,342	41,430
Computer support	6,903	1,665
Depreciation	33,996	32,051
Dues and subscriptions	593	988
Freight-in	42,298	33,715
General insurance	5,127	4,408
Group benefits	98,585	85,015
Legal, accounting, and consulting	5,346	-
Liquidation	-	351
Loss on damaged goods	4,279	4,359
Miscellaneous	3,299	5,299
Payroll taxes	32,641	30,082
Repairs and maintenance	2,289	1,491
Salaries	430,239	398,603
Supplies	17,758	7,231
Telephone	7,227	7,600
Training/conferences/mileage	7,354	5,925
Utilities	5,405	4,427
Vending expenses	40,459	41,357
Warehouse services	10,000	10,021
Total operating expenses	<u>788,140</u>	<u>716,018</u>
Revenue from gift shops	<u>\$ 1,359,460</u>	<u>\$ 1,181,591</u>

See Independent Auditor's Report

**Summary of Program Support Expenses
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Animal welfare and Enrichment	\$ 253,353	\$ 91,150
Conservation Programs and Initiatives	568,509	555,365
Design Programs and Initiatives	39,650	29,343
Education Programs and Initiatives	147,342	107,927
Horticulture Programs and Initiatives	47,323	54,995
Park Program Services	615,347	387,640
Planning and Facilities	433,263	99,642
Veterinary Programs and Initiatives	97,664	148,510
Zoo Operational Support	1,547,038	1,635,231
Zoo Personnel, Supplements, Travel, and Training	448,779	406,352
Zoo Visitor Growth and Awareness	237,613	247,408
Zoo Welfare Initiatives	109,624	116,400
	<u>\$ 4,545,505</u>	<u>\$ 3,879,963</u>



THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Program Services - Membership Expenses
Years Ended December 31, 2019 and 2018

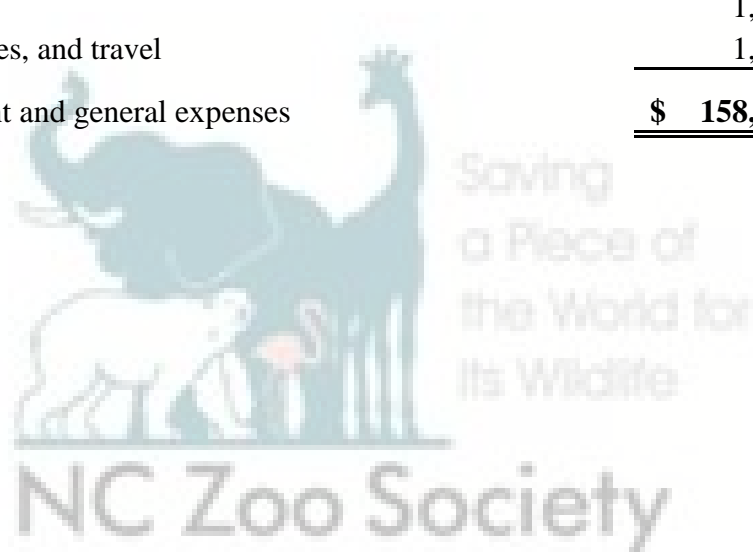
Schedule 5

	<u>2019</u>	<u>2018</u>
Annual report	\$ 1,678	\$ 1,317
Auto expense	531	325
Bad debt	15,275	8,875
Bank card charges	20,719	30,596
Computer support	73,714	44,792
Continuing education/incentives	1,874	2,595
Depreciation	26,591	31,527
Donor cultivation	41,098	22,421
Dues and subscriptions	2,947	3,041
General insurance	17,803	16,057
Group benefits	145,021	129,333
Magazine	27,655	43,531
Mailing services	21,633	23,228
Meetings	689	439
Membership incentives	3,157	7,357
Miscellaneous	3,039	4,751
Office supplies	7,636	6,671
Payroll taxes	46,241	47,614
Membership sales taxes	13,248	-
Planned giving	2,138	2,904
Postage	42,974	23,253
Printing	16,541	7,191
Professional services	62,449	23,661
Repairs and maintenance	4,861	7,652
Returns/redeposits	-	54
Salaries	615,108	619,169
Telephone	15,569	14,781
Training, conferences, and travel	6,484	6,446
Total membership expenses	<u><u>\$ 1,236,673</u></u>	<u><u>\$ 1,129,581</u></u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Management and General Expenses
Years Ended December 31, 2019 and 2018

Schedule 6

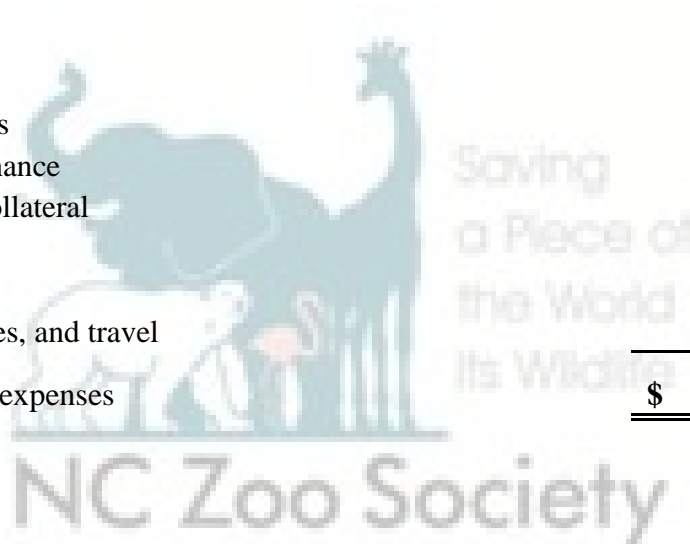
	<u>2019</u>	<u>2018</u>
Computer support	\$ 6,427	\$ 3,514
Depreciation	2,335	2,269
Dues and subscriptions	441	748
General insurance	1,396	1,259
Group benefits	11,431	8,775
Meetings	3,412	3,517
Miscellaneous	2,273	3,850
Office perks	5,401	891
Office supplies	1,427	1,265
Payroll taxes	7,599	6,266
Postage	115	188
Printing	472	116
Professional services	5,347	1,972
Repairs and maintenance	664	673
Salaries	106,432	87,365
Telephone	1,984	1,936
Training, conferences, and travel	1,156	1,272
	<u>\$ 158,312</u>	<u>\$ 125,876</u>



THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Fundraising Expenses
Years Ended December 31, 2019 and 2018

Schedule 7

	<u>2019</u>	<u>2018</u>
Auto expense	\$ 398	\$ 270
Bad debt expense	8,000	500
Bank card charges	20,720	30,421
Continuing education/incentives	1,712	2,307
Computer support	15,767	10,124
Depreciation	4,657	4,669
Donor cultivation	38,704	14,630
Dues and subscriptions	2,506	2,591
General insurance	5,934	5,352
Group benefits	34,367	30,410
Meetings	292	246
Miscellaneous	2,547	2,838
New member solicitation	32,482	69,012
Office supplies	2,332	1,912
Payroll taxes	11,581	12,113
Planned giving	2,138	2,819
Postage	53	1,495
Printing	472	2,124
Professional services	21,093	7,887
Repairs and maintenance	2,401	3,109
Capital campaign collateral	50	-
Salaries	157,140	162,246
Telephone	3,475	3,530
Training, conferences, and travel	2,439	2,339
Total fundraising expenses	<u><u>\$ 371,260</u></u>	<u><u>\$ 372,944</u></u>



THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Special Projects Expenses
Years Ended December 31, 2019 and 2018

Schedule 8

	<u>2019</u>	<u>2018</u>
Special Projects - Program Services		
Adopt an animal	\$ 3,500	\$ 4,609
Learning Center	23,774	24,570
Membership Special Programs	7,214	8,739
Zoo Tours	6,665	4,094
Travel Program	249	634
Vet Camps	8,013	9,230
Total special projects - program services	<u>49,415</u>	<u>51,876</u>
Special Projects - Other		
Annual Giving	8,736	12,857
Believe in the Magic of the Season	-	16,559
Conservation Endowment Program	-	287
Corporate Membership	21,013	12,172
Donor Relations	17,795	335
Gifts-in-Kind	91,615	79,080
Kidz Palooza	-	12,577
President's Club and Conservator's Circle	-	27
Randolph Friends of the Zoo	2,460	2,173
Zoo To Do	95,504	93,881
Total special projects - other	<u>237,123</u>	<u>229,948</u>
Total special projects expenses	<u>\$ 286,538</u>	<u>\$ 281,824</u>

