

**CENTRAL FLORIDA
ZOOLOGICAL SOCIETY, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2013



Greene, Dycus & Co, PA

Certified Public Accountants

407-322-0561

www.gdccpa.net

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Central Florida Zoological Society, Inc.
Lake Monroe, Florida

We have audited the accompanying financial statements of the Central Florida Zoological Society, Inc. (the "Society"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity'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.

William T. Royster, CPA
Robert Kimelman, CPA
Thomas J. Frank, CPA

Jack I. Greene, CPA (Deceased)
James R. Dycus, CPA (Deceased)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Greene Dycus & Co.

Professional Association
Certified Public Accountants
Sanford, Florida
April 1, 2014

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

Assets:	
Cash & cash equivalents - unrestricted	\$ 331,644
Cash & cash equivalents - designated for capital improvements	200,000
Accounts receivable	69,913
Inventory	31,312
Prepaid expense and other assets	25,673
Cash & cash equivalents - restricted for capital improvement	7,500
Botanical collection	43,338
Property, equipment and animals, net	<u>8,447,788</u>
 Total Assets	 <u><u>\$ 9,157,168</u></u>
 Liabilities and Net Assets:	
Liabilities:	
Accounts payable	\$ 255,497
Accrued salaries	38,380
Other liabilities	67,908
Accrued compensated absences	31,931
Deferred revenue	199,989
Note Payable - Board Member	<u>150,000</u>
 Total Liabilities	 <u>743,705</u>
 Net Assets:	
Unrestricted	8,405,963
Temporarily restricted	<u>7,500</u>
 Total Net Assets	 <u>8,413,463</u>
 Total Liabilities and Net Assets	 <u><u>\$ 9,157,168</u></u>

The accompanying notes are an integral part of these financial statements.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:			
Gate receipts	\$ 1,928,081		\$ 1,928,081
Guest services, net of cost of \$195,176	239,027		239,027
Educational programs	241,147		241,147
Seminole County Tourist Development Council	225,000		225,000
State and Local Government Grants	84,423		84,423
Contributions:			
Cash contributions	268,535		268,535
In kind	99,961		99,961
Membership dues	451,155		451,155
Promotional events, net of costs of \$112,652	71,548		71,548
Facilities rental fees, net of costs \$37,132	43,492		43,492
Net assets released from restrictions:			
Restrictions satisfied by payments	130,846	(130,846)	-
Investment earnings	921		921
Train income	160,827		160,827
Other contractual income	79,716		79,716
Other	50,136		50,136
	<u>4,074,815</u>	<u>(130,846)</u>	<u>3,943,969</u>
Total Revenues, Gains and Other Support			
Expenses			
Program Services:			
Zoological park	2,105,976	-	2,105,976
Guest services	1,015,295	-	1,015,295
Education	432,656	-	432,656
	<u>3,553,927</u>	<u>-</u>	<u>3,553,927</u>
Total Program Services			
Support Services:			
Management and general	235,188	-	235,188
Fund raising	139,396	-	139,396
	<u>374,584</u>	<u>-</u>	<u>374,584</u>
Total Support Services			
	<u>3,928,511</u>	<u>-</u>	<u>3,928,511</u>
Total Expenses			
Change in net assets	146,304	(130,846)	15,458
Net Assets - Beginning of Year	<u>8,259,659</u>	<u>138,346</u>	<u>8,398,005</u>
Net Assets - End of Year	<u>\$ 8,405,963</u>	<u>\$ 7,500</u>	<u>\$ 8,413,463</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Service				Management Service			Total
	Zoological Park	Guest Services	Education	Program Service Total	Management	Fund Raising	Management Service Total	
Compensation	\$ 992,440	\$ 533,865	\$ 310,390	\$ 1,836,695	\$ 163,513	\$ 57,575	\$ 221,088	\$ 2,057,783
Animal care	172,062	-	184	172,246	-	-	-	172,246
Advertising	42,023	70,040	25,966	138,029	-	9,426	9,426	147,455
Depreciation	395,091	50,213	-	445,304	-	-	-	445,304
Insurance	132,700	63,553	37,271	233,524	18,235	6,107	24,342	257,866
Supplies	51,342	106,977	12,908	171,227	19,095	4,276	23,371	194,598
Promotions-Web	4,901	8,166	1,633	14,700	-	816	816	15,516
Repair	166,939	12,726	3,983	183,648	1,326	3	1,329	184,977
Utilities	57,304	44,383	4,664	106,351	7,514	356	7,870	114,221
Professional fees	-	-	-	-	11,920	54,227	66,147	66,147
Other	91,174	125,372	35,657	252,203	13,585	6,610	20,195	272,398
TOTALS	\$ 2,105,976	\$ 1,015,295	\$ 432,656	\$ 3,553,927	\$ 235,188	\$ 139,396	\$ 374,584	\$ 3,928,511

The accompanying notes are an integral part of these financial statements.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows Used in Operating Activities:

Change in net assets	\$ 15,458
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	445,304
Donations of capital assets and animals	(57,460)
Changes in operating assets and liabilities:	
Accounts receivable	(27,947)
Inventory	6,019
Prepaid expenses and other assets	1,667
Botanical collection	(7,630)
Accounts payable	132,403
Accrued salaries and payroll taxes	2,013
Other liabilities	13,279
Accrued compensated absences	(9,696)
Deferred revenue	39,032
Net cash provided by operating activities	552,442

Cash Flows from Investing Activities:

Purchase of capital assets and animals	(611,621)
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Cash Flows from Financing Activities:

Proceeds from Note Payable - Board Member	150,000
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Net increase in cash	90,821
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Cash at Beginning of Year	448,323
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Cash at End of Year	\$ 539,144
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Reconciliation to statement of financial position:

Cash & cash equivalents - unrestricted	\$ 331,644
Cash & cash equivalents - designated for capital improvement	200,000
Cash & cash equivalents - restricted for capital improvement	7,500
	7,500

Cash at End of Year	\$ 539,144
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The accompanying notes are an integral part of these financial statements.

**CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Central Florida Zoological Society, Inc. (the “Society”) is a nonprofit organization that operates a zoological park and botanical gardens in Lake Monroe, Florida. In addition to exhibiting living animals and plants, the park has programs in wildlife education and conservation. The Society is primarily funded by park admissions, concession and gift shop sales, and membership support. Additional funding is provided by Seminole County agencies and various grantors.

The Society is dedicated to preserving the beauty and wonder of animals and their habitat, and is committed to sharing knowledge, engaging visitors and celebrating the natural world. Conservation of animals is paramount as many endangered species entrusted to the Society may soon be extinct. Captive breeding programs may be the only hope for the species survival.

Financial Statement Presentation

The Society prepares its financial statements on the accrual basis of accounting. The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires the Society to report information regarding its financial position and activities according to three (3) classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, when present.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Property, Equipment and Animals

Land, buildings and equipment with a cost in excess of \$500 and purchased animals are capitalized at the time of purchase. Contributed assets in excess of \$500 are recorded at fair value when received. Reproduced animals are recorded at fair value when it is determined the animal will live.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets of three to ten (3-11) years for equipment, ten to forty (10-40) years for buildings, and two to twenty (2-20) years for animals.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Revenue

Deferred revenue consists primarily of unearned membership dues. Revenue from membership dues are amortized over the year of membership.

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases in liabilities, or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one (1) year, and at present value if expected to be collected in more than one (1) year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories

Inventories consist of items for resale, food, and food service supplies, and are stated at the lower of cost (first-in/first-out basis) or market.

Animal Exchange

The Society may share or receive animals from other zoos, the cost or benefit of this arrangement, as consistent with prevailing industry practices, are generally without any monetary considerations.

Donated Services and Materials

The Society trains individuals to serve as volunteer zoological park tour guides. These individuals would not be compensated as employees if this program were to be discontinued. In addition many other individuals volunteer their time and effort on a variety of administrative and fund raising tasks. The value of these services has not been recorded in the financial statements. In 2013 approximately 190 volunteers donated approximately 21,000 hours of service.

Other contributed services, materials, equipment and animals are recorded at their estimated fair value at time of receipt. The estimated fair value of these contributions for 2013 was approximately \$100,000.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Botanical Collection

The Society maintains botanical exhibits throughout the zoological park to enhance the visitors overall zoo experience. The botanical collection is reflected at cost, if purchased, and at fair market value if donated. Although management does not intend to sell any portions of the botanical collection, in the event they are sold the proceeds would be used to acquire similar botanical items.

Income Taxes

The Society is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Society qualifies as a public charity under Sections 509(a) (1) and 170(b) (1) (A) (vi) of the Internal Revenue Code.

The Society adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740 – 10). Under this Interpretation, The Society is required to evaluate each of its tax positions to determine if they are more likely than not to be sustained if the taxing authority examines the respective position. A tax position includes an entity's status, including its status as a 501 (c) (3), and the decision not to file a tax return. The Society has evaluated each of its tax positions and has determined that no provision or liability for income taxes is necessary.

The Society files a federal income tax return and is no longer subject to U.S. federal income tax examination by tax authorities for years before 2010.

The Society has unrelated business activity generated from the rental of one of its facilities. Form 990T has been filed, however direct costs and allowable allocated indirect costs exceed the revenue generated, as such no tax provisions has been recorded.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, savings accounts, and all highly liquid debt instruments with original maturities of three (3) months or less. The Society is required to hold certain cash balances in separate bank accounts.

Advertising Costs

Advertising costs are expensed as incurred. During the year ended December 31, 2013 advertising charged to operations amounted to approximately \$154,000.

Subsequent Events

The Society has evaluated subsequent events through April 1, 2014, the date which the financial statements were available to be issued.

**CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounts Receivable

Based upon an analysis of both past history and past due receivables, it is management’s opinion that no allowance for uncollectible accounts is necessary. Charge-offs, when necessary, is performed after management has exhausted their efforts with respect to collecting the outstanding balance.

Impairment

The Society periodically reviews its long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets.

Concentrations of Credit and Market risk

Financial instruments that potentially expose the society too concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at financial institutions and credit exposure is limited at any one institution. The society has not experienced any losses on its cash equivalents. The society’s investments do not represent significant concentrations of market risk in as much as the society’s investment portfolio is adequately diversified among issuers, industries, and geographic regions.

NOTE 2 – PROPERTY, EQUIPMENT AND ANIMALS

Property, equipment and animals as of December 31, 2013 consist of:

Land and improvements	\$	442,282
Zoo & park buildings		9,617,852
Features and exhibits		1,347,438
Equipment		377,840
Animals		129,900
Vehicles		94,650
Construction in progress		635,276
		12,645,238
Accumulated depreciation		(4,197,450)
		\$ 8,447,788

Depreciation expense for the year was \$445,304.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 – TEMPORARILY RESTRICTED SUPPORT

Temporarily restricted net assets of \$7,500 are restricted for capital improvements exclusively.

NOTE 4 – NOTE PAYABLE – BOARD MEMBER

During 2013 a board member and the Society executed an unsecured 4.5% note payable to fund an exhibit. Under the terms of the note, The Society received \$150,000 and in return agreed to pay no interest or principal for the first three month, interest only the remaining three months and \$5,000 of principal plus interest over the remaining 30 months. Interest of \$1,693 has been expensed and accrued as payable to the board member. The principal will be repaid as follows:

The following are maturities of long-term debt for the year ended December 31:

2014	\$ 40,000
2015	60,000
2016	<u>50,000</u>
	<u><u>\$ 150,000</u></u>

See note 12 for other related party transactions.

NOTE 5 – 403(B) RETIREMENT PLAN

The employees of the Society may elect to contribute up to \$17,500 (\$23,000 if over 50) to a tax sheltered annuity plan, IRS Code Section 403(b). Under the plan's salary deferral feature eligible employees can defer a portion of their compensation. Such deferrals accumulate on a tax-deferred basis until the employee withdraws the funds. Employees over twenty-one (21) years of age and who have completed one (1) year of service are eligible to participate in the deferral, and are also eligible for a matching contribution of up to 3% of their annual salary. Retirement plan cost for the year ended December 31, 2013 was approximately \$27,000.

NOTE 6 – DONATED LAND

The Society entered into a new land lease with Seminole County. The lease covers the existing property as well as an additional 15.74 acres to accommodate the growth of the Society. The term of the lease is 50 years and provides for rental payments of \$1 per year. The fair market lease value of the use of this land has not been determined, nor has any value been reflected in the financial statements

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 7 – ANNUAL LEAVE

The Society provides its full time employees with annual leave time based on the number of years of employment. At December 31, 2013, the value of accrued accumulated vacation leave is estimated to be approximately \$32,000.

NOTE 8 – CONCENTRATIONS OF RISK

Revenues provided by guests to the zoological park provide a major portion of the Society's support. In the event of a material down-turn in the area's economy, these revenues may be reduced. The Seminole County Tourist Development Council provides approximately 5.5% of the Society's revenue. Should this funding cease, the level of services provided by the Society may be affected.

At December 31, 2013, cash on deposit with one commercial bank in Florida was approximately \$340,000. The cash on deposit is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of the Society's activities have been summarized on a functional basis in the Statement of Functional Expenses. Program service expense consists primarily of costs associated with the zoological park and education programs. Certain costs that have been incurred for common objective and cannot be readily identified with a particular cost objective have been allocated to program services, fund raising, management, and general expenses.

NOTE 10 – COMMITMENTS, CONTINGENCIES AND OTHER ITEMS

The Society has a \$100,000 line of credit from a local financial institution that is collateralized by the Society's assets. The line of credit is due on demand, and expires in 2014. Terms of repayment call for minimum monthly payments of interest at prime. At December 31, 2013 no amounts were drawn on the line of credit.

In the ordinary course of business, the Society may have various outstanding commitments and contingencies. One such contingency is that the Society may be subject to a potential legal claim. While the ultimate effect of such claim cannot be ascertained at this time, management believes, that there will be no material effect on the Society's financial position.

The Society contracted with a consultant to provide planning assistance with respect to a capital campaign related to the "Proposed African Safari Park". The Society paid a fee of approximately \$50,000 for these consulting services.

The Society has several projects in process one such is a new exhibit which they are committed to spending an additional \$19,000 and is expected to be completed in early 2014.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 10 – COMMITMENTS, CONTINGENCIES AND OTHER ITEMS – continued

The Society entered into a gift shop service agreement with a gift shop service company that expires at the end of the sixth year after a new gift shop is opened. It is anticipated that a new gift shop will open in 2014 or 2015. The service company will manage the store, be in charge of merchandising and supervise the Society's staff and volunteers in the store. The payment terms call for both fixed and variable fees that are based upon performance and are earned on a sliding scale.

The Society outsourced its food and beverage concession to a food and beverage company under an agreement that initially expires at July 31, 2018 with a five year extension option. The company will run all aspect of the concession and will pay the Society a percentage of the profits. In the event that operating expenses exceeds gross receipts the Society may be obligated to cover any potential shortfall.

The Society is leasing a facility (including property, improvements, breeding stock and equipment) in Lake County Florida which may ultimately allow for expansion of educational and other programs for the benefit of Lake County residents. The terms of the lease call for a \$1 annual rent plus responsibility for the maintenance, repairs, upkeep, staffing, and insurance of the facilities. In addition the Society is responsible for the care and the feeding of the animals. The annual cost to maintain the facilities will vary on an annual basis, but is expected to be approximately \$180,000 for 2014. At the end of the eight year term the facility (including property, improvements, breeding stock and equipment) will be sold to the Society for \$100.

NOTE 11 – ENDOWMENT

The Society established "The Central Florida Zoological Society Fund", an endowment fund in conjunction with the Community Foundation of Central Florida, Inc. At December 31, 2013 the value of the Society's portion of the endowment is approximately \$111,000 which has appreciated from its initial investment of \$80,000. The assets and related liabilities are not reflected in these financial statements, as they are controlled and directed by the Community Foundation of Central Florida, Inc. Distributions generated by this endowment are recorded as income when received. The Society's purpose for this endowment was to establish a fund that would provide long-term support to further the goals and mission of the Society.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Society from time to time has transactions with affiliated parties. The Society paid a professional services firm that is owned by a board member, \$9,860 for services rendered. In addition, in kind contributions include goods and services from Board members in the amount of approximately \$40,000.