

**CENTRAL FLORIDA
ZOOLOGICAL SOCIETY, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2016



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, 2016, 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.

Robert Kimelman, CPA
Thomas J. Frank, CPA

William T. Royster, CPA (Retired)
Jack I. Greene, CPA (Deceased)
James R. Dycus, CPA (Deceased)

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 Society as of December 31, 2016, 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Earnings Before Interest, Depreciation and Amortization 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Greene Dycus & Co.

Professional Association
Certified Public Accountants
Sanford, Florida
June 27, 2017

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

Assets:

Cash & cash equivalents - unrestricted	\$ 158,491
Cash & cash equivalents - restricted for capital improvement	288,987
Accounts receivable	58,902
Contribution receivable, net of unamortized discount of \$9,217,867	3,303,333
Inventory	21,973
Prepaid expense and other assets	18,752
Botanical collection	43,338
Property, equipment and animals, net of accumulated depreciation	<u>8,633,598</u>
Total Assets	<u><u>\$ 12,527,374</u></u>

Liabilities and Net Assets:

Liabilities:

Accounts payable	\$ 366,361
Accrued salaries	24,516
Other liabilities	111,114
Accrued compensated absences	58,777
Unearned membership fees	278,636
Equipment payable	58,278
Equipment note payable	11,776
Line of credit	175,122
Mortgage payable	<u>562,340</u>
Total Liabilities	<u>1,646,920</u>

Net Assets:

Unrestricted	7,288,134
Temporarily restricted	<u>3,592,320</u>
Total Net Assets	<u>10,880,454</u>
Total Liabilities and Net Assets	<u><u>\$ 12,527,374</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Gate receipts	\$ 2,345,566	\$ -	\$ 2,345,566
Guest services, net of cost of \$81,284	353,988	-	353,988
Educational programs	247,442	-	247,442
Seminole County Tourist Development Council	225,000	-	225,000
State and Local Government Grants	97,164	-	97,164
Contributions:			
Cash contributions	279,305	26,208	305,513
In kind	130,438	-	130,438
Membership dues	616,556	-	616,556
Promotional events, net of costs of \$105,775	72,612	-	72,612
Facilities rental fees, net of costs \$84,445	62,997	-	62,997
Net assets released from restrictions:			
Restrictions satisfied by payments	6,786	(6,786)	-
Investment earnings	676	-	676
Train and carousel income	177,034	-	177,034
Other contractual income	79,421	-	79,421
Amortization-discount on contribution receivable	265,414	-	265,414
Other	24,905	-	24,905
Total Revenues, Gains and Other Support	<u>4,985,304</u>	<u>19,422</u>	<u>5,004,726</u>
Expenses			
Program Services:			
Zoological park	2,758,551	-	2,758,551
Guest services	819,779	-	819,779
Education	789,032	-	789,032
OCIC	305,904	-	305,904
Total Program Services	<u>4,673,266</u>	<u>-</u>	<u>4,673,266</u>
Support Services:			
Management and general	523,896	-	523,896
Fund raising	505,520	-	505,520
Total Support Services	<u>1,029,416</u>	<u>-</u>	<u>1,029,416</u>
Total Expenses	<u>5,702,682</u>	<u>-</u>	<u>5,702,682</u>
Change in net assets	<u>(717,378)</u>	<u>19,422</u>	<u>(697,956)</u>
Net Assets - Beginning of Year	8,005,512	262,779	8,268,291
Restatement Net Assets	-	3,310,119	3,310,119
Net Assets - Beginning of Year - restated	<u>8,005,512</u>	<u>3,572,898</u>	<u>11,578,410</u>
Net Assets - End of Year	<u>\$ 7,288,134</u>	<u>\$3,592,320</u>	<u>\$ 10,880,454</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, 2016

	Program Service				Support Service				Total
	Zoological Park	Guest Services	Education	OCIC	Program Service Total	Manage- ment	Fund Raising	Support Service Total	
Compensation	\$ 1,192,208	\$ 334,272	\$ 510,583	\$ 216,540	\$ 2,253,603	\$ 281,864	\$ 221,991	\$ 503,855	\$ 2,757,458
Animal care	179,327	-	27,323	35,749	242,399	-	-	-	242,399
Advertising	678	64,842	65,490	56	131,066	-	99,994	99,994	231,060
Depreciation	500,931	43,565	31,118	-	575,614	21,782	9,335	31,117	606,731
Insurance	293,558	19,176	31,835	22,840	367,409	67,182	11,276	78,458	445,867
Supplies	41,236	17,299	21,784	6,276	86,595	18,584	2,284	20,868	107,463
Printing	150	12,205	14,226	524	27,105	1,400	27,151	28,551	55,656
Promotions-Web	-	25,208	18,905	-	44,113	-	18,905	18,905	63,018
Credit card fees	-	56,775	6,536	-	63,311	-	6,925	6,925	70,236
Rental	217,760	13,610	13,610	-	244,980	13,610	13,610	27,220	272,200
Repair	149,257	11,144	13,104	8,487	181,992	2,974	1,846	4,820	186,812
Utilities	80,863	50,286	4,669	8,169	143,987	14,587	1,313	15,900	159,887
Professional fees	-	-	-	-	-	41,956	-	41,956	41,956
Lobbying costs	-	-	-	-	-	-	55,180	55,180	55,180
Employee relations	14,978	3,553	8,953	4,504	31,988	13,964	18,007	31,971	63,959
Interest expense	-	-	-	-	-	24,418	-	24,418	24,418
Subcontractor fees	32,391	132,568	-	-	164,959	-	-	-	164,959
Other	55,214	35,276	20,896	2,759	114,145	21,575	17,703	39,278	153,423
TOTALS	<u>\$ 2,758,551</u>	<u>\$ 819,779</u>	<u>\$ 789,032</u>	<u>\$ 305,904</u>	<u>\$ 4,673,266</u>	<u>\$ 523,896</u>	<u>\$ 505,520</u>	<u>\$ 1,029,416</u>	<u>\$ 5,702,682</u>

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, 2016

Cash Flows from Operating Activities:	
Change in net assets	\$ (697,956)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	606,731
Donations of capital assets and animals	(130,438)
Loss on disposal of property and equipment	11,346
Change in non cash contribution receivable	6,786
Changes in operating assets and liabilities:	
Accounts receivable	(2,095)
Inventory	10,338
Prepaid expenses and other assets	7,047
Accounts payable	119,119
Accrued salaries and payroll taxes	10,026
Other liabilities	(13,011)
Accrued compensated absences	20,825
Unearned membership fees	37,635
Net cash provided by operating activities	<u>(13,647)</u>
Cash Flows from Investing Activities:	
Purchase of capital assets and animals	<u>(326,815)</u>
Cash Flows from Financing Activities:	
Payment on equipment note payable	(75,585)
Payment on mortgage payable	(37,660)
Advance of line of credit, net	175,122
Net cash provided by financing activities	<u>61,877</u>
Net decrease in cash	(278,585)
Cash and cash equivalents at Beginning of Year	<u>726,063</u>
Cash and cash equivalents at End of Year	<u>\$ 447,478</u>
Reconciliation to Statement of Financial Position:	
Cash & cash equivalents - unrestricted	\$ 158,491
Cash & cash equivalents - restricted for capital improvement	<u>288,987</u>
Cash and cash equivalents at End of Year	<u>\$ 447,478</u>
SUPPLEMENTAL INFORMATION:	
Interest paid	<u>\$ 24,418</u>
NON CASH TRANSACTIONS:	
Fair market value of donated rent	<u>\$ 272,200</u>

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

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 an affordable family experience 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 education, and 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.

The Society is a conservation resource providing experiences that educate, excite and inspire children and adults to learn and act on behalf of wildlife and is one of a handful of private nonprofit zoos in the country and a great community resource that enhances the quality of life in Central Florida by offering a unique zoo experience. In efforts to educate the children of Central Florida premier educational experiences are offered that reaches over 100,000 school children a year through summer camps, programs and community outreaches.

The Society also operates the Orianne Center for Indigo Conservation (OCIC) located in east Lake County (approximately 20 miles from the zoo) and is home to a health care center, herpetarium, administrative offices and support facilities. The facility consists of 25 acres of land and three building totaling over 5,000 square feet. The main goal of the program is to facilitate a comprehensive approach to long-term captive breeding programs for eastern indigo snakes and the importance of conservation and promotion of public education and to foster tolerance of snakes in our natural communities.

Financial Statement Presentation

The Society prepares its financial statements on the accrual basis of accounting and is presented with three (3) classes of net assets:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There are currently none in this class.

Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 and Changes in Net Assets as net assets released from restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Property, Equipment and Animals

Land, buildings and equipment with a cost in excess of \$1,000 and purchased animals are capitalized at the time of purchase. Contributed assets in excess of \$1,000 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 (3-10) years for equipment, ten to forty (10-40) years for buildings, and two to twenty (2-20) years for animals.

Unearned Membership Fees

Unearned membership fees are revenue from membership dues and are amortized over the year of membership.

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.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 2016 approximately 225 volunteers donated approximately 27,000 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 2016 was approximately \$130,000.

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.

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.

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.

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.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Advertising Costs

Advertising costs are expensed as incurred. During the year ended December 31, 2016 advertising charged to operations amounted to approximately \$230,000.

Subsequent Events

The Society has evaluated subsequent events through June 15, 2017, the date which the financial statements were available to be issued.

Accounts Receivable

Accounts receivables consist of balances due for revenues generated for day to day operations but not collected as of the end of the accounting period. 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 to 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.

**CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – CONTRIBUTION RECEIVABLE

The Society entered into a land lease with Seminole County. The lease provides for the use of 96 acres of land for \$1 per year expiring in December 2062. The term of the lease is 50 years and provides for rental payments of \$1 per year. The fair value of the contribution of the leased property was estimated to be \$272,200 per year. The net present value of this balance is calculated to be \$3,303,333 (\$12,521,200 contribution receivable less \$9,217,867 unamortized discount on contribution receivable) using an 8% interest rate. The amortization of the discount on contributions receivable is recognized as revenue annually as the discount is amortized.

NOTE 3 – PROPERTY, EQUIPMENT AND ANIMALS

Property, equipment and animals as of December 31, 2016 consist of:

Land and improvements	\$ 771,752
Zoo buildings and grounds	5,444,579
Features and exhibits	5,235,925
Furniture, fixtures and equipment	1,138,800
Animals	469,772
Vehicles	114,883
Construction in progress	416,369
	<u>13,592,080</u>
Accumulated depreciation	<u>(4,958,482)</u>
	<u><u>\$ 8,633,598</u></u>

Depreciation expense for the year was \$606,731.

NOTE 4 – TEMPORARILY RESTRICTED SUPPORT

Temporarily restricted net assets of \$288,987 is restricted for capital improvements and \$3,303,333 is restricted relative to the present fair value of the donated facilities from Seminole County.

NOTE 5 – DEBT

Line of Credit

The Society has a \$200,000 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 2017. Terms of repayment call for minimum monthly payments of interest at prime. At December 31, 2016 no amounts were drawn on the line of credit.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 – DEBT – Continued

Mortgage Payable

The Society obtained a \$600,000 mortgage from a financial institution to upgrade and improve the infrastructure of the facility. As of December 31, 2016 the outstanding balance was \$562,340. In February 2017 the mortgage agreement was modified to add another \$170,745 of debt to the mortgage for a new balance of \$733,085. The debt is secured by the real property, tangible property, and all other available assets. The new loan agreement requires principal and interest payments of \$8,043 and a final balloon payment of approximately \$270,000 in March 2023. The principal is expected to be repaid as follows for the years ended December 31:

2017	\$ 51,376
2018	71,032
2019	74,036
2020	77,169
2021	80,432
2022	83,865
2023	295,175
	<u>\$733,085</u>

The loan agreement requires that the Society maintain a “Debt Service Coverage Ratio” of no less than 1.25 to 1.0 and a tangible net worth plus subordinated debt of \$8,150,000. The Debt Service Coverage Ratio is calculated by utilizing the net income after tax, plus amortization, depreciation and interest divided by the current maturities of long term debt and all related interest. The tangible net worth calculation is calculated by subtracting liabilities and intangible assets from total assets.

Credit Cards

The Society has various business credit cards issued by various national financial institutions with a combined line of credit balance of approximately \$60,000 and interest rates ranging from 18% to 23%. The balances of these credits are \$23,484 as of December 31, 2016 and are unsecured.

Equipment Payable

The food and beverage concessionaire purchased \$235,252 of equipment to be utilized in the operation of the concession. The current balance of the equipment payable is \$58,278 and is secured by the underlying equipment. The concession agreement indicates that these funds will be repaid with no interest monthly from the sales proceeds over a sixty month period. The principal is expected to be repaid as follow for the years ended December 31:

2017	\$ 46,313
2018	11,965
	<u>\$ 58,278</u>

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 – DEBT – Continued

Equipment Note Payable

The Society purchased a compact track loader under a four year note payable with interest at 0%. The debt is secured by the underlying equipment. The current balance of the equipment payable is \$11,776. The principal is expected to be completely repaid during the year ended December 31, 2017.

NOTE 6 – 403(B) RETIREMENT PLAN

The employees of the Society may elect to contribute up to \$18,000 (\$24,000 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, 2016 was approximately \$34,000.

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, 2016, the value of accrued accumulated vacation leave is estimated to be approximately \$59,000.

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% of the Society's revenue. Should this funding cease, the level of services provided by the Society may be affected.

At December 31, 2016, cash deposits were held at three financial institutions in Florida. An account at one institution was approximately \$600,000. The cash on deposit is insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF) each up to \$250,000. Management believes the Society is not exposed to any significant credit risk on cash and cash equivalents. The Society has not experienced any losses of its cash and cash equivalents in the past.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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 discrimination suit. The Society believes the claim to have no merit, in the event that the claim is pursued by the individual the Society and its Council will vigorously defend against the potential claim. The ultimate effect of such claim cannot be ascertained at this time, no amounts have been reflected in the accompanying financial statements.

The Society entered into an employment agreement with its President/Chief Executive Officer for a three year term ending March 9, 2018. The agreement will automatically renew thereafter. The President/Chief Executive Officer or Society can terminate this agreement at any time, with appropriate written notice. If the agreement is terminated without cause by the Society, the President/Chief Executive Officer will receive six months of severance pay.

During 2013, 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. Originally it was anticipated that a new gift shop would open in 2015 or 2016. At the current time the gift shop service agreement is being amended due to the delayed opening of the gift shop as the Society is contemplating a location change for the new gift shop and as such the new store will likely not be opened until 2017. The service company is currently managing the existing gift shop and is in charge of merchandising and supervising 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 aspects 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 \$300,000 for 2017. 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.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – COMMITMENTS, CONTINGENCIES AND OTHER ITEMS – Continued

Effective February 2016, the Society contracted with an outside advertising and marketing firm to provide services. The contract is open ended but requires a 90 day notice to terminate. The minimum monthly fee is \$6,000.

The Society has committed an additional \$500,000 to complete the bear exhibit which is expected to open in 2017.

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, 2016 the value of the Society’s portion of the endowment is approximately \$106,000, 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 purchased services from a business owned or controlled by a board member at a cost of approximately \$130,000. In addition, the mortgage referred to in Note 4 was made by a credit union whose officer is on the board of the Society.

NOTE 13 – LOBBYING COSTS

The Society engaged a professional lobbyist to request \$2,000,000 of funding from the State of Florida to fund infrastructure enhancements, specifically to provide utilities, water and sewer services to the Zoo that do not have these services. The cost of this lobbying was approximately \$55,180. In addition, there is a \$25,000 commitment for Lobbying fees through May 2017.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

As noted in note 2, the Society is the recipient of a contribution of the use of the land for which it operates under a fifty year lease at a rate for \$1 per year. In previous years the fair value of this contribution was not recorded as it was not determinable. In the current year a board member with the appropriate skills, knowledge and experience calculated the fair value of the contribution to be \$272,200 per year. The net present value of this balance was \$3,310,119 (\$12,793,400 contribution receivable less \$9,483,281 unamortized discount on contribution receivable). The change has been reflected in the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
SCHEDULE OF EARNINGS BEFORE INTEREST,
DEPRECIATION AND AMORTIZATION (EBIDA)
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE I

CHANGE IN NET ASSETS	\$ (697,956)
Interest expense	24,418
Depreciation	<u>606,731</u>
EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION (EBIDA)	<u><u>\$ (66,807)</u></u>

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