

**CENTRAL FLORIDA
ZOOLOGICAL SOCIETY, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018 AND JUNE 30, 2017



Greene, Dycus & Co, PA

Certified Public Accountants

407-322-0561

www.gdccpa.net

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.

TABLE OF CONTENTS

Independent Auditors' Report	1
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	8
Notes to Financial Statements	9
SUPPLEMENTAL INFORMATION	
Schedules of Earnings Before Interest, Depreciation and Amortization (EBIDA).....	19



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 the twelve and six months ended June 30, 2018 and June 30, 2017, and the related statements of activities, and cash flows for the twelve and six months 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 the twelve and six months ended June 30, 2018 and June 30, 2017, and the changes in its net assets and its cash flows for the months 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 Dupuis & Co.

Professional Association
Certified Public Accountants
Sanford, Florida
October 25, 2018

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30,

Assets:

	<u>2018</u>	<u>2017</u>
Cash & cash equivalents		
Unrestricted	\$ 144,133	\$ 61,951
Board Designated - general reserve	75,000	75,000
Board Designated - winter reserve	100,000	-
Restricted for capital improvement	50,000	284,003
Restricted for endowment	110,000	-
Cash & cash equivalents - total	479,133	420,954
Accounts receivable	116,620	2,125
Contribution receivable, net of unamortized discount of \$8,822,341 and \$9,086,609	3,290,559	3,298,491
Inventory	24,059	10,352
Prepaid expense and other assets	51,342	35,378
Botanical collection	43,338	43,338
Property, equipment and animals, net of accumulated depreciation	8,561,651	8,927,486
 Total Assets	 <u>\$ 12,566,702</u>	 <u>\$ 12,738,124</u>

Liabilities and Net Assets:

Liabilities:

Accounts payable	\$ 188,543	\$ 256,089
Accrued salaries	26,934	21,684
Other liabilities	158,103	178,389
Unearned annual pass-holder fees	291,189	304,030
Equipment note payable	70,615	35,891
Mortgage payable	642,093	710,761
 Total Liabilities	 <u>1,377,477</u>	 <u>1,506,844</u>

Net Assets:

Unrestricted	7,738,666	7,648,786
Restricted	3,450,559	3,582,494
 Total Net Assets	 <u>11,189,225</u>	 <u>11,231,280</u>
 Total Liabilities and Net Assets	 <u>\$ 12,566,702</u>	 <u>\$ 12,738,124</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 TWELVE MONTHS ENDED JUNE 30, 2018

	Unrestricted	Restricted	Total
Revenues, Gains and Other Support:			
Gate receipts	\$ 2,363,073		\$ 2,363,073
Guest services, net of cost of \$77,790	208,584		208,584
Educational programs	275,352		275,352
Seminole County Tourist Development Council	325,000		325,000
State and Local Government Grants	147,811		147,811
Contributions:			
Cash contributions	326,044	160,000	486,044
In kind	5,000		5,000
Pass-holder fees	593,391		593,391
Promotional events, net of costs of \$74,375	124,534		124,534
Facilities rental fees, net of costs \$56,820	46,913		46,913
Net assets released from restrictions:			
Restrictions satisfied by payments	291,935	(291,935)	-
Investment earnings	240		240
Train and carousel income	163,348		163,348
Other contractual income	60,928		60,928
Amortization-discount on contribution receivable	264,268		264,268
Other	120,925		120,925
Total Revenues, Gains and Other Support	5,317,346	(131,935)	5,185,411
Expenses			
Program Services:			
Zoological park	2,521,256	-	2,521,256
Guest services	870,460	-	870,460
Education	673,200	-	673,200
OCIC	236,070	-	236,070
Total Program Services	4,300,986	-	4,300,986
Support Services:			
Management and general	552,920	-	552,920
Fund raising	373,560	-	373,560
Total Support Services	926,480	-	926,480
Total Expenses	5,227,466	-	5,227,466
Change in net assets	89,880	(131,935)	(42,055)
Net Assets - Beginning of Year	7,648,786	3,582,494	11,231,280
Net Assets - End of Year	\$ 7,738,666	\$ 3,450,559	\$ 11,189,225

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 SIX MONTHS ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:			
Gate receipts	\$ 1,460,192	\$ -	\$ 1,460,192
Guest services, net of cost of \$67,080	208,927	-	208,927
Educational programs	189,182	-	189,182
Seminole County Tourist Development Council	112,500	-	112,500
State and Local Government Grants	80,431	-	80,431
Contributions:			
Cash contributions	179,216	-	179,216
In kind	-	-	-
Pass-holder fees	318,946	-	318,946
Promotional events, net of costs of \$37,140	100,157	-	100,157
Facilities rental fees, net of costs \$45,792	82,121	-	82,121
Net assets released from restrictions:			
Restrictions satisfied by payments	9,826	(9,826)	-
Investment earnings	136	-	136
Train and carousel income	102,195	-	102,195
Other contractual income	36,881	-	36,881
Amortization-discount on contribution receivable	131,258	-	131,258
Other	14,164	-	14,164
Total Revenues, Gains and Other Support	<u>3,026,132</u>	<u>(9,826)</u>	<u>3,016,306</u>
Expenses			
Program Services:			
Zoological park	1,244,993	-	1,244,993
Guest services	490,285	-	490,285
Education	318,315	-	318,315
OCIC	106,110	-	106,110
Total Program Services	<u>2,159,703</u>	<u>-</u>	<u>2,159,703</u>
Support Services:			
Management and general	297,262	-	297,262
Fund raising	208,515	-	208,515
Total Support Services	<u>505,777</u>	<u>-</u>	<u>505,777</u>
Total Expenses	<u>2,665,480</u>	<u>-</u>	<u>2,665,480</u>
Change in net assets	360,652	(9,826)	350,826
Net Assets - Beginning of Year	<u>7,288,134</u>	<u>3,592,320</u>	<u>10,880,454</u>
Net Assets - End of Year	<u>\$ 7,648,786</u>	<u>\$ 3,582,494</u>	<u>\$ 11,231,280</u>

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

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018

	Program Service				Support Service				Total
	Zoological Park	Guest Services	Education	OCIC	Program Service Total	Management	Fund Raising	Support Service Total	
Compensation	\$ 1,239,700	\$ 321,480	\$ 479,550	\$ 147,750	\$ 2,188,480	\$ 254,050	\$ 246,420	\$ 500,470	\$ 2,688,950
Animal care	147,580		15,180	34,410	197,170	-	-	-	197,170
Advertising		38,030	30,990	-	69,020	-	32,660	32,660	101,680
Depreciation	405,800	134,610	19,420	4,020	563,850	4,860	-	4,860	568,710
Insurance	179,150	21,800	29,960	20,030	250,940	140,860	11,860	152,720	403,660
Supplies	37,730	17,290	15,990	9,500	80,510	14,260	2,210	16,470	96,980
Printing	30	13,530	12,540	70	26,170	340	1,240	1,580	27,750
Promotions-Web	-	9,910	7,640	-	17,550	-	7,770	7,770	25,320
Credit card fees	-	70,970	6,400	-	77,370	4,300	280	4,580	81,950
Rental	217,760	13,610	13,610	-	244,980	13,610	13,610	27,220	272,200
Repair	134,330	30,410	13,190	6,710	184,640	1,730	810	2,540	187,180
Utilities	86,090	46,920	4,790	8,890	146,690	12,660	1,510	14,170	160,860
Professional fees	-	-	-	-	-	31,850	-	31,850	31,850
Lobbying costs	-	-	-	-	-	-	50,000	50,000	50,000
Employee relations	12,810	1,670	4,710	1,530	20,720	12,460	1,590	14,050	34,770
Interest expense	-	-	-	-	-	30,703	-	30,703	30,703
Subcontractor fees	9,420	101,630	-	-	111,050	-	-	-	111,050
Other	50,856	48,600	19,230	3,160	121,846	31,237	3,600	34,837	156,683
TOTALS	\$ 2,521,256	\$ 870,460	\$ 673,200	\$ 236,070	\$ 4,300,986	\$ 552,920	\$ 373,560	\$ 926,480	\$ 5,227,466

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

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2017

	Program Service				Support Service				Total
	Zoological Park	Guest Services	Education	OCIC	Program Service Total	Manage- ment	Fund Raising	Support Service Total	
Compensation	\$ 565,740	\$ 227,600	\$ 213,440	\$ 63,920	\$ 1,070,700	\$ 137,780	\$ 140,420	\$ 278,200	\$ 1,348,900
Animal care	87,350	-	-	17,110	104,460	-	-	-	104,460
Advertising	-	18,280	20,020	-	38,300	30	15,070	15,100	53,400
Depreciation	196,060	56,670	9,710	2,010	264,450	2,430	-	2,430	266,880
Insurance	126,890	21,460	11,950	10,200	170,500	69,130	7,950	77,080	247,580
Supplies	7,150	19,710	6,180	2,490	35,530	8,720	1,430	10,150	45,680
Printing	-	6,450	4,660	20	11,130	460	930	1,390	12,520
Promotions-Web	-	3,910	2,940	-	6,850	-	3,060	3,060	9,910
Credit card fees	-	37,870	4,880	30	42,780	-	1,270	1,270	44,050
Rental	108,880	6,805	6,805	-	122,490	6,805	6,805	13,610	136,100
Repair	67,370	7,850	11,280	2,040	88,540	2,410	360	2,770	91,310
Utilities	41,360	25,810	2,490	4,330	73,990	6,480	530	7,010	81,000
Professional fees	3,213	-	-	-	3,213	20,667	-	20,667	23,880
Lobbying costs	-	-	-	-	-	-	25,390	25,390	25,390
Employee relations	5,350	1,440	1,120	610	8,520	2,890	770	3,660	12,180
Interest expense	-	-	-	-	-	21,396	-	21,396	21,396
Subcontractor fees	11,160	50,460	-	-	61,620	-	-	-	61,620
Other	24,470	5,970	22,840	3,350	56,630	18,064	4,530	22,594	79,224
TOTALS	\$ 1,244,993	\$ 490,285	\$ 318,315	\$ 106,110	\$ 2,159,703	\$ 297,262	\$ 208,515	\$ 505,777	\$ 2,665,480

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

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
STATEMENT OF CASH FLOWS
FOR THE TWELVE AND SIX MONTHS ENDED JUNE 30,

Cash Flows from Operating Activities:	<u>2018</u>	<u>2017</u>
Change in net assets	\$ (42,055)	\$ 350,826
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	568,711	266,880
Change in non cash contribution receivable	7,932	4,842
Changes in operating assets and liabilities:		
Accounts receivable	(114,495)	56,777
Inventory	(13,707)	11,621
Prepaid expenses and other assets	(15,964)	(16,626)
Accounts payable	(67,546)	(110,272)
Accrued salaries and payroll taxes	5,250	(2,832)
Other liabilities	(20,286)	8,498
Unearned annual pass-holder fees	(12,841)	25,394
Net cash provided by operating activities	<u>294,999</u>	<u>595,108</u>
Cash Flows from Investing Activities:		
Purchase of capital assets and animals	<u>(128,440)</u>	<u>(560,768)</u>
Cash Flows from Financing Activities:		
Payment on equipment note payable	(39,712)	(34,163)
Payment on mortgage payable	(68,668)	(22,323)
Proceeds from mortgage payable	-	170,744
Advance of line of credit, net	-	(175,122)
Net cash used by financing activities	<u>(108,380)</u>	<u>(60,864)</u>
Net change in cash	58,179	(26,524)
Cash and cash equivalents at Beginning of Year	<u>420,954</u>	<u>447,478</u>
Cash and cash equivalents at End of Year	<u>\$ 479,133</u>	<u>\$ 420,954</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 21,396</u>	<u>\$ 21,936</u>
NON CASH TRANSACTIONS:		
Fair market value of donated rent	<u>\$ 272,200</u>	<u>\$ 136,100</u>
Acquisition of equipment with debt	<u>\$ 74,436</u>	<u>\$ -</u>

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

**CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017**

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 non-profit 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 buildings 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.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Statement Presentation - Continued

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

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 \$5,000 and purchased animals are capitalized at the time of purchase. Contributed assets in excess of \$5,000 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 Annual Pass-Holder Fees

Unearned pass-holder fees are revenue from zoo pass sales and are amortized over the year term of the pass.

**CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 docents. 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 the twelve months ended June 30, 2018 approximately 240 volunteers donated approximately 26,000 hours of service. In the six months ended June 30, 2017 approximately 140 volunteers donated approximately 16,631 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 2018 was approximately \$5,000. There was no such amount recorded in the six months ended June 30, 2017.

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.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Advertising Costs

Advertising costs are expensed as incurred. During the twelve months and six months ended June 30, 2018 and June 30, 2017 advertising charged to operations amounted to approximately \$102,000 and \$53,000, respectively.

Subsequent Events

The Society has evaluated subsequent events through October 25, 2018, the date which the financial statements were available to be issued. See note eleven for subsequent events.

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, are 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.

**CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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. As of June 30, 2018 the net present value of this balance is calculated to be \$3,290,559 (\$12,112,900 contribution receivable less \$8,822,341 unamortized discount on contribution receivable) and as of June 30, 2017 the net present value of this balance is calculated to be \$3,298,491 (\$12,385,100 contribution receivable less \$9,086,609 unamortized discount on contribution receivable) using an 8% interest rate, respectively. 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 consist of:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land and improvements	\$ 879,959	\$ 879,959
Zoo buildings and grounds	5,472,605	5,391,779
Features and exhibits	5,818,384	5,132,453
Furniture, fixtures and equipment	1,093,621	1,146,828
Animals	469,772	469,772
Vehicles	114,883	114,883
Construction in progress	157,270	846,294
	<u>14,006,494</u>	<u>13,981,968</u>
Accumulated depreciation	<u>(5,444,843)</u>	<u>(5,054,482)</u>
	<u>\$ 8,561,651</u>	<u>\$ 8,927,486</u>

Depreciation expense for the twelve months and six months was \$568,710 and \$266,880, respectively.

**CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017**

NOTE 4 – RESTRICTED SUPPORT

Temporarily restricted net assets of \$50,000 are restricted for capital improvements and \$3,290,559 is restricted relative to the present fair value of the donated facilities from Seminole County.

Permanently restricted net assets of \$110,000 are in an endowment fund.

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 matures November 2018. Terms of repayment call for minimum monthly payments of interest at prime. At June 30, 2018 no amounts were drawn on the line of credit.

Mortgage Payable

The Society obtained a \$770,745 mortgage from a financial institution to upgrade and improve the infrastructure of the facility. As of June 30, 2018 and June 30, 2017 the outstanding balance was \$642,093 and \$710,761, respectively. The debt is secured by the real property, tangible property, and all other available assets. The new loan agreement requires monthly 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:

2019	74,036
2020	77,169
2021	80,432
2022	83,865
2023	326,591
	<u>\$ 642,093</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.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017

NOTE 5 – DEBT – Continued

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 \$22,000 as of June 30, 2018 and \$20,000 as of June 30, 2017, respectively and are unsecured.

Equipment Note Payable

The Society purchased air conditioning equipment 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 \$70,615. The principal is expected to be repaid monthly in the amount of \$1,241 through March 2022.

NOTE 6 – DONOR-DESIGNATED ENDOWMENTS

The Society has permanently restricted net assets held for endowment. The donor stipulated that the funds be held in perpetuity and the resulting income be utilized to cover operating expenses. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence of donor-imposed restrictions as such, the Society classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The Society has not adopted a formal spending policy and investment return objectives along with risk parameters and strategies, but is currently holding the endowment in a bank account earning nominal interest. The value of the endowment is \$110,000 as of June 30, 2018.

NOTE 7 – 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 twelve months ended June 30, 2018 and the six months ended June 30, 2017 was approximately \$34,000 and \$18,000, respectively.

NOTE 8 – ANNUAL LEAVE

The Society provides its full time employees with annual leave time based on the number of years of employment. The annual leave plan does not allow any amounts to be paid out in cash as such no accrual is necessary.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017

NOTE 9 – 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 6% of the Society's revenue. Should this funding cease, the level of services provided by the Society may be affected.

At June 30, 2018, cash deposits were held at three financial institutions in Florida. An account at one institution was approximately \$540,000. 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.

NOTE 10 – 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 11 – 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.

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 in the foreseeable future. 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.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017

NOTE 11 – COMMITMENTS, CONTINGENCIES AND OTHER ITEMS - Continued

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 \$250,000 for the next fiscal year. 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 12 – RELATED PARTY TRANSACTIONS

The Society from time to time has transactions with affiliated parties. The Society purchased services from businesses owned or controlled by board members at a cost of approximately \$226,000.

In addition, the mortgage referred to in Note 4 was made by a credit union whose officer is on the board of the Society. The Society also purchased insurance through agents or brokers that were Society board members.

NOTE 13 – COMMUNITY FOUNDATION OF FLORIDA ENDOWMENT

The Society established “The Central Florida Zoological Society Fund”, an endowment fund in conjunction with the Community Foundation of Central Florida, Inc. At June 30, 2018 and June 30, 2017 the value of the Society’s portion of the endowment is approximately \$110,000, 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 14 – 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 areas that do not have these services. The cost of this lobbying was approximately \$50,000 and \$25,000 for the twelve months ended June 30, 2018 and six months ended June 30, 2017, respectively.

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE AND SIX MONTHS ENDED
JUNE 30, 2018 AND JUNE 30, 2017

NOTE 15 – CHANGE OF FISCAL YEAR

Effective January 1, 2017 the Society changed its fiscal year from December 31 to June 30. The current financials reflect a twelve month fiscal year ending June 30, 2018 and a six month short period ending June 30, 2017.

NOTE 16 – SUBSEQUENT EVENTS

Effective October 1, 2018, the Society purchased the assets of Zoom Aire, an operating partner who owned and operated the aerial zip line with a Note Payable of \$350,000. In exchange for the Zoom Aire assets, the Society will make 72 payments of \$5,637, principal and interest at 5%, commencing on November 1, 2018 and ending on October 1, 2024.

The Society committed to purchasing two vehicles in the amount of approximately \$75,000.

NOTE 17 RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The updated standard will become effective for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Nonpublic entities should apply the amendments for fiscal years beginning after December 15, 2019.

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU No. 2016-14 amends guidance on the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. ASU No. 2016-14 replaces the currently required three net asset classes with two net asset classes, net assets with donor restrictions and net assets without donor restrictions. Other amendments within this ASU will improve the usefulness of information provided to donors, grantors, creditors and other users of a not-for-profit's financial statements. The new guidance is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of the new pronouncements on the financial statements.

SUPPLEMENTAL INFORMATION

CENTRAL FLORIDA ZOOLOGICAL SOCIETY, INC.
SCHEDULE OF EARNINGS BEFORE INTEREST,
DEPRECIATION AND AMORTIZATION (EBIDA) **SCHEDULE I**
FOR THE TWELVE AND SIX MONTHS ENDED JUNE 30,

	2018	2017
CHANGE IN NET ASSETS	\$ (42,055)	\$ 350,826
Interest expense	30,703	21,396
Depreciation	568,711	266,880
EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION (EBIDA)	\$ 557,359	\$ 639,102

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