



# **Consolidated Financial Statements**

**December 31, 2014 and 2013**

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

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## INDEPENDENT AUDITOR'S REPORT

To the Board Members of  
Atlanta-Fulton County Zoo, Inc.

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of **Atlanta-Fulton County Zoo, Inc. and Subsidiary** (Zoo Atlanta), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Zoo Atlanta's preparation and fair presentation of the consolidated 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 Zoo Atlanta'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atlanta-Fulton County Zoo, Inc. and Subsidiary as of December 31, 2014, and the results of their activities, functional expenses, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

### **Report on Summarized Comparative Information**

We have previously audited the Atlanta-Fulton County Zoo, Inc. and Subsidiary's December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Windham Brannon P.C.*

May 7, 2015

Certified Public Accountants

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Consolidated Statements of Financial Position December 31, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash	\$ 5,700,469	\$ 13,788,702
Accounts receivable, net of allowance for doubtful accounts	373,532	198,988
Prepaid expenses	486,213	314,042
Inventories, net of reserve	273,845	272,825
Pledges receivable, net of allowance for uncollectible pledges and discounts	3,928,819	1,631,011
Investments	5,753,694	5,525,945
Property, equipment, and leasehold interest, net of accumulated depreciation	33,255,012	24,763,880
Animal collections	1	1
<b>Total assets</b>	<b>\$ 49,771,585</b>	<b>\$ 46,495,394</b>
<b>Liabilities and net assets</b>		
Accounts payable	\$ 475,301	\$ 957,871
Accrued expenses	2,409,773	1,868,044
Construction retainage payable	591,525	231,749
Deferred revenue	152,088	127,042
Notes payable	23,537	36,001
<b>Total liabilities</b>	<b>3,652,224</b>	<b>3,220,707</b>
<b>Net assets</b>		
Unrestricted	14,865,479	15,616,053
Temporarily restricted	25,918,030	22,543,337
Permanently restricted	5,335,852	5,115,297
<b>Total net assets</b>	<b>46,119,361</b>	<b>43,274,687</b>
<b>Total liabilities and net assets</b>	<b>\$ 49,771,585</b>	<b>\$ 46,495,394</b>

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

**Atlanta-Fulton County Zoo, Inc.  
and Subsidiary**

**Consolidated Statements of Activities  
For the Year Ended December 31, 2014  
(with summarized totals for the year ended December 31, 2013)**

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenue</b>					
Support					
Contributions	\$ 980,726	\$ 4,340,512	\$ 1,900	\$ 5,323,138	\$ 4,116,156
Government support	55,662	-	-	55,662	334,338
Contributed goods and services	612,879	-	-	612,879	544,196
<b>Total support</b>	1,649,267	4,340,512	1,900	5,991,679	4,994,690
Revenues					
Admissions	7,517,334	-	-	7,517,334	7,291,559
Concession and rental sales	4,079,039	-	-	4,079,039	3,937,377
Membership fees	3,203,976	-	-	3,203,976	3,357,888
Special events	1,003,855	-	-	1,003,855	906,396
Conservation and education	1,456,943	-	-	1,456,943	1,172,817
Sponsorships	232,200	-	-	232,200	224,355
Other	138,115	-	-	138,115	182,686
Investment income	5,305	25,026	432,257	462,588	974,291
<b>Total revenue</b>	17,636,767	25,026	432,257	18,094,050	18,047,369
Net assets released from restrictions:					
Satisfaction of program restrictions	1,204,447	(990,845)	(213,602)	-	-
<b>Total net assets released from restrictions</b>	1,204,447	(990,845)	(213,602)	-	-
<b>Total support and revenue</b>	20,490,481	3,374,693	220,555	24,085,729	23,042,059
<b>Expenses</b>					
Program services					
Animal management	6,227,627	-	-	6,227,627	6,559,441
Operations	4,953,464	-	-	4,953,464	4,643,770
Concessions and rental events	3,065,326	-	-	3,065,326	2,907,239
Conservation and education	2,663,847	-	-	2,663,847	2,498,899
Marketing	687,882	-	-	687,882	717,767
Membership	613,808	-	-	613,808	658,985
Contributed goods and services	552,273	-	-	552,273	488,283
<b>Total program services</b>	18,764,227	-	-	18,764,227	18,474,384
Support services					
General administration	1,301,835	-	-	1,301,835	1,278,954
Development	989,591	-	-	989,591	915,445
Marketing	124,797	-	-	124,797	112,004
Contributed goods and services	60,605	-	-	60,605	55,913
<b>Total support services</b>	2,476,828	-	-	2,476,828	2,362,316
<b>Total expenses</b>	21,241,055	-	-	21,241,055	20,836,700
<b>Change in net assets</b>	(750,574)	3,374,693	220,555	2,844,674	2,205,359
<b>Net assets, beginning of year</b>	15,616,053	22,543,337	5,115,297	43,274,687	41,069,328
<b>Net assets, end of year</b>	\$ 14,865,479	\$ 25,918,030	\$ 5,335,852	\$ 46,119,361	\$ 43,274,687

**Atlanta-Fulton County Zoo, Inc.  
and Subsidiary**

**Consolidated Statements of Functional Expenses  
For the Year Ended December 31, 2014**

(with summarized totals for the year ended December 31, 2013)

	Program Services							Support Services					Totals		
	Animal Management	Operations	Concessions and Rental	Conservation and Education	Marketing	Membership	Contributed Goods/Services	Total Program Services	General and Administrative	Development	Marketing	Contributed Goods and Services	Total Support Services	2014	2013
Salaries and benefits	\$ 3,740,055	\$ 1,682,688	\$ 1,307,615	\$ 1,215,656	\$ 229,268	\$ 276,966	\$ -	\$ 8,452,248	\$ 923,367	\$ 584,317	\$ 98,258	\$ -	\$ 1,605,942	\$ 10,058,190	\$ 9,648,895
Cost of goods sold	-	-	1,050,898	-	-	-	-	1,050,898	-	-	-	-	-	1,050,898	862,596
Professional fees	1,529	150,809	-	102,330	39,950	10,000	-	304,618	109,019	92,713	9,034	-	210,766	515,384	884,528
Advertising	-	-	-	8,213	379,621	115,518	-	503,352	525	5,600	1,470	-	7,595	510,947	535,817
Office supplies, printing, postage	120,904	126,765	88,703	284,148	4,778	138,049	-	763,347	7,576	35,169	1,800	-	44,545	807,892	842,915
Travel	45,369	57,973	8,720	34,635	-	1,510	-	148,207	4,755	437	-	-	5,192	153,399	161,334
Depreciation	1,731,454	426,204	266,378	133,189	-	-	-	2,557,225	106,550	-	-	-	106,550	2,663,775	2,648,340
Insurance	-	462,914	-	-	-	-	-	462,914	-	-	-	-	-	462,914	395,041
Utilities	-	831,888	-	-	-	-	-	831,888	-	-	-	-	-	831,888	765,103
Animal Food & Husbandry	542,227	-	-	-	-	-	-	542,227	-	-	-	-	-	542,227	527,219
Outside contracts	12,572	797,764	56,665	12,413	31,558	10,157	-	921,129	52,616	43,404	13,525	-	109,545	1,030,674	1,026,680
Program costs, incl. Panda Conservation	-	-	-	752,352	-	-	-	752,352	-	-	-	-	-	752,352	674,606
Event costs	-	1,407	271,888	1,516	136	18,471	-	293,418	11,358	93,881	58	-	105,297	398,715	372,695
General repairs & maintenance	995	242,830	7,349	8,998	-	-	-	260,172	8,351	51,918	-	-	60,269	320,441	368,454
Other	32,522	172,222	7,110	110,397	2,571	43,137	-	367,959	77,718	82,152	652	-	160,522	528,481	578,281
Contributed goods & services	-	-	-	-	-	-	552,273	552,273	-	-	-	60,605	60,605	612,878	544,196
<b>Total</b>	<b>\$ 6,227,627</b>	<b>\$ 4,953,464</b>	<b>\$ 3,065,326</b>	<b>\$ 2,663,847</b>	<b>\$ 687,882</b>	<b>\$ 613,808</b>	<b>\$ 552,273</b>	<b>\$ 18,764,227</b>	<b>\$ 1,301,835</b>	<b>\$ 989,591</b>	<b>\$ 124,797</b>	<b>\$ 60,605</b>	<b>\$ 2,476,828</b>	<b>\$ 21,241,055</b>	<b>\$ 20,836,700</b>

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Consolidated Statements of Cash Flows For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,844,674	\$ 2,205,359
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain (loss) on disposal of asset	(3,012)	25,652
Realized gain on investments	(91,120)	(101,361)
Unrealized gain on investments	(228,177)	(739,385)
Provision for uncollectible receivables	5,439	46,896
Depreciation expense	2,663,775	2,648,340
(Increase) decrease in assets:		
Accounts receivable, net of allowance for doubtful accounts	(174,544)	31,121
Prepaid expenses	(172,171)	(7,606)
Inventories, net of reserve	(1,020)	(19,736)
Pledges receivable, net of allowance	(2,303,247)	2,818,180
Increase (decrease) in liabilities:		
Accounts payable	(482,570)	491,345
Accrued expenses	541,729	519,923
Construction retainage payable	359,776	231,749
Deferred revenue	25,046	(77,232)
<b>Net cash provided by operating activities</b>	<b>2,984,578</b>	<b>8,073,245</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(251,261)	(1,032,725)
Sales of investments	342,808	795,370
Purchase of property and equipment	(11,151,894)	(3,292,306)
<b>Net cash used by investing activities</b>	<b>(11,060,347)</b>	<b>(3,529,661)</b>
<b>Cash flows from financing activities</b>		
Repayment of capital lease obligations	-	(1,486)
Repayment of notes payable	(12,464)	(12,980)
<b>Net cash used by financing activities</b>	<b>(12,464)</b>	<b>(14,466)</b>
<b>Net change in cash</b>	<b>(8,088,233)</b>	<b>4,529,118</b>
<b>Cash, beginning of year</b>	<b>13,788,702</b>	<b>9,259,584</b>
<b>Cash, end of year</b>	<b>\$ 5,700,469</b>	<b>\$ 13,788,702</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ -	\$ 2,092
Barter exchange of admission tickets for advertising services	\$ 125,000	\$ 141,000
Write-off of fully depreciated assets	\$ 7,421	\$ 2,332,104

# **Atlanta-Fulton County Zoo, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements December 31, 2014 and 2013**

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### **1. Organization and Summary of Significant Accounting Policies**

The Atlanta-Fulton County Zoo, Inc. and Subsidiary (Zoo Atlanta or the Zoo) is a non-profit organization. Zoo Atlanta is an accredited member of the Association of Zoos and Aquariums (AZA). Zoo Atlanta's mission is to inspire the citizens of Atlanta and Georgia and all visitors to Zoo Atlanta to value wildlife on Earth and to help safeguard existing species through conservation. This is done by:

- Providing an informative, educational, and engaging experience;
- Being respectful and responsible stewards of the animals and the physical and financial assets entrusted to Zoo Atlanta; and
- Engaging in related conservation activities and research.

Since 1985, the City of Atlanta (the City) and the Fulton County Recreation Authority (the Authority) have maintained a governmental agreement which empowered the Authority with, among other things, the right to equip, maintain and operate Zoo Atlanta and the right to make additions, deletions, modifications and changes to the leasehold. The agreement also authorized the Authority to issue revenue bonds to provide for Zoo Atlanta's improvements, enhancements and renovations. This agreement was renewed in June 2007 for a term not to exceed 50 years.

The Authority entered into an operating agreement with Zoo Atlanta in 1985, which authorized Zoo Atlanta to operate, manage and maintain Zoo Atlanta. This operating agreement was renewed in June 2007 for a term not to exceed 50 years. In the event of termination of the agreement, the assets of Zoo Atlanta revert back to the City.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Zoo Atlanta and the Zoological Foundation of Georgia, Inc. (Zoo Georgia). Zoo Georgia is controlled by Zoo Atlanta, and is a separately incorporated Georgia non-profit organization formed to enlarge and expand the vision of conservation. All inter-organizational transactions and balances have been eliminated in consolidation.

### **Basis of Accounting and Financial Reporting**

The accompanying financial statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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These financial statements are prepared in accordance with standards set by the Financial Accounting Standards Board. Zoo Atlanta is required to classify information regarding its consolidated statements of financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories is as follows:

- Unrestricted — Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted — Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Zoo Atlanta pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted — Net assets subject to donor-imposed stipulations that they be maintained permanently by Zoo Atlanta.

Expenses in the consolidated statement of activities have been reported by the functional classifications, major classes of program services and supporting activities. Program services are the activities that result in goods and services distributions to beneficiaries, members or visitors, and which fulfill the purposes or mission for which Zoo Atlanta exists. Supporting programs are all the other activities of Zoo Atlanta other than program services.

### **Prior Year Summarized Information**

The consolidated statements of activities for 2013 includes summarized information in total but not by net asset class. Accordingly, such information should be read in conjunction with Zoo Atlanta's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### **Cash**

Zoo Atlanta maintains cash balances at a financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, balances may exceed FDIC insured limits. At December 31, 2014 and 2013, the cash balances related to temporarily restricted net assets were \$4,472,089 and \$12,378,245, respectively.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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### **Animal Collections**

Zoo Atlanta's animal collection consists of animals purchased by Zoo Atlanta and animals that have been loaned to Zoo Atlanta. These assets are recorded at the nominal value of one dollar in the accompanying financial statements. Animal acquisition costs are expensed when incurred. Zoo Atlanta has the right to, among other things, acquire, borrow, sell, loan and otherwise transfer and convey animals as considered reasonable and proper for the operation and maintenance of Zoo Atlanta.

### **Inventories**

Merchandise inventory in the gift shop is stated at the lower of cost (weighted-average method) or net realizable value.

### **Allowance for Doubtful Accounts**

Zoo Atlanta maintains an allowance for doubtful accounts for pledges and accounts receivable based upon the expected collectability of the receivables using such factors as prior collection history, nature of receivable, and current economic trends. When amounts are believed to be uncollectible, an allowance is provided against the account or pledge receivable and an amount is charged to bad debt expense.

### **Investments**

Investments are carried at fair value, except for the cash surrender value of life insurance, which is carried at its surrender value. Generally accepted accounting principles defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Investments consist primarily of equity and bond mutual funds, which are valued at quoted market prices for the identical security in an active market.

In determining fair value, Zoo Atlanta uses various valuation approaches. Generally accepted accounting principles establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of Zoo Atlanta. Unobservable inputs are inputs that reflect Zoo Atlanta's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, with Level 3 having the highest level of unobservable inputs. At December 31, 2014, Zoo Atlanta's investments are considered to be Level 1.

# **Atlanta-Fulton County Zoo, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements December 31, 2014 and 2013**

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### **Property, Equipment and Leasehold Interest**

The land used by Zoo Atlanta is owned by the City of Atlanta, and is therefore not recorded in the accompanying consolidated financial statements. The City has conveyed to the Authority and the Authority in turn has conveyed to Zoo Atlanta a leasehold interest (the Leasehold) in all real and personal properties comprising the Leasehold for the purpose of operating, maintaining and improving Zoo Atlanta for a term not to exceed 50 years, expiring in 2057. Consistent with prior years, the fair value of the lease has not been reflected in the accompanying consolidated financial statements because objective valuation information is not available due to the unique characteristics of the land.

Title to the leasehold properties remains with the City but is subject to the Authority's and Zoo Atlanta's rights as a lessee and is therefore reflected in the accompanying financial statements. Expenditures for additions and improvements that extend the useful lives of assets are capitalized at cost, and expenditures for maintenance and repairs are charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

### **Income Taxes**

Zoo Atlanta is a non-profit organization and is exempt under Section 501(c)(3) of the Internal Revenue Code (the Code) from federal, state and local income taxes, whereby only unrelated business income, if any, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. Zoo Atlanta did not have any material unrelated business income tax for December 31, 2014 and 2013.

Management of the Zoo considers the likelihood of changes by taxing authorities in its income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Zoo's status as a non-profit entity. Management believes the Zoo met the requirements to maintain its tax-exempt status and has appropriately reported and filed income subject to unrelated business income tax. The provision for unrelated business income taxes is reported as an expense in these financial statements. The Zoo's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

### **Revenue Recognition**

Unconditional contributions are recognized as support to Zoo Atlanta in the period received or pledged. Contributions with donor-imposed restrictions are classified as temporarily restricted or permanently restricted contributions according to the donor stipulations. Contributions received with donor-imposed restrictions, and where the restrictions are met within the same year, are recorded as unrestricted contributions. Conditional pledges are recognized in the statement of activities when the conditions on which they depend are substantially met. In 2014, Zoo Atlanta

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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received a pledge of up to \$20 million, of which up to \$17.5 million is a conditional pledge related to the Cyclorama project: A Grand New View: Elephants, Events, and Expansion. This conditional pledge will expire by June 30, 2016. There were no such contributions in 2013.

Government support consists of amounts received from the Authority for capital improvement and from the 2007 Zoo Series Revenue Bonds. Amounts are recognized as government support in the period received. Amounts received from the 2007 Zoo Series Revenue Bonds for reimbursement of costs for depreciable assets, which are required to be maintained for their estimated lives, are recognized as temporarily restricted support, and are released from restrictions evenly over the estimated useful lives of those depreciable assets.

Revenue from sponsorships is recognized over the term of the sponsorship agreement and is included as a separate line item in the statement of activities. Amounts received but not recognized are deferred and included in the statement of financial position as deferred revenue.

Revenue from memberships is recorded at the time of sale and is included separately in the statement of activities. Revenue from admissions and concessions is recognized at the time of sale. Revenue from rentals, events and educational programs are recognized in the period the event or program occurs.

Zoo Atlanta receives contributed goods and services from other organizations, the fair value of which is recorded in the financial statements as revenue and expense in the period received.

The Zoo provides admission tickets in exchange for advertising services. The Zoo's barter transactions are recorded at the estimated fair value of the assets exchanged. The Zoo determined that using the full price admission ticket price for determining the value of the barter transaction was the most reliable and reasonable determination of the fair value of the transaction. Barter revenue and advertising expense were recognized when the advertising impressions or other services were delivered to the Zoo. For the years ended December 31, 2014 and 2013, the Zoo recognized approximately \$125,000 and \$141,000, respectively of advertising revenues and advertising expenses from barter transactions.

### **Advertising**

Advertising costs are expensed as incurred. Advertising expense, excluding the barter transactions, was \$510,947 and \$535,817 for the years ended December 31, 2014 and 2013, respectively.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

### Sales Tax

Zoo Atlanta presents sales taxes on a net basis in the accompanying financial statements. Amounts collected and remitted totaled \$828,256 and \$798,457 for the years ended December 31, 2014 and 2013, respectively.

### Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 7, 2015, which is the date the financial statements were available to be issued.

## 2. Pledges Receivable

Pledges receivable at December 31, 2014 and 2013 were as follows:

	<b>2014</b>	<b>2013</b>
Unrestricted	\$ 200,740	\$ 162,508
Restricted for use	3,753,631	1,522,838
	<b>3,954,371</b>	1,685,346
Less allowance for uncollectible pledges	(11,500)	(30,596)
Total pledges receivable	<b>\$ 3,942,871</b>	\$ 1,654,750
Due in less than one year	\$ 3,537,788	\$ 1,019,215
Due in one to five years	405,083	635,535
	<b>3,942,871</b>	1,654,750
Less discount to net present value	(14,052)	(23,739)
Net pledges receivable	<b>\$ 3,928,819</b>	\$ 1,631,011

Pledges to be received after one year are discounted to present value using LIBOR plus 2.75%, which was approximately 2.92% at December 31, 2014. Amortization of the discount is recorded as additional revenue and recorded in accordance with donor-imposed restrictions, if any.

Subsequent to December 31, 2014, Zoo Atlanta received additional contributions of approximately \$1,679,000 specifically for the new capital campaign related to the Cyclorama project: A Grand New View: Elephants, Events, and Expansion.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

The allowance for doubtful accounts includes the following activity:

	<b>For the year ended December 31, 2014</b>	<b>For the year ended December 31, 2013</b>
Beginning balance	\$ 30,596	\$ 3,000
Provision for uncollectible accounts	5,439	46,896
Write-off of uncollectible accounts	(24,535)	(19,300)
Ending balance	\$ 11,500	\$ 30,596

### 3. Investments

Investments consisted of the following at December 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Cash surrender value of life insurance, at surrender value	\$ 118,640	\$ 108,398
Equities, at fair value:		
Emerging markets fund	256,453	264,972
International markets fund	404,358	438,517
Small-cap blend fund	177,666	171,749
Mid-cap blend fund	604,397	431,921
Large blend fund	2,945,426	2,837,277
Bonds, at fair value:		
Short-term bond fund	1,067,035	1,087,869
Money market, at fair value	179,719	185,242
	\$ 5,753,694	\$ 5,525,945

Fair value is based on quoted prices available in active markets for identical securities. This is a Level 1 category as established by generally accepted accounting principles. Mutual funds are exposed to various risks, such as interest rate, market and credit risks.

Investment income for the years ended December 31, 2014 and 2013 include an increase of \$319,245 and \$840,746 in market value of investments and \$143,343 and \$133,545, in interest and dividend income, respectively. The increase in cash surrender value of life insurance is included in investment income.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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### 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2014 and 2013:

	2014	2013
Buildings, improvements and exhibits	\$ 63,980,477	\$ 63,760,133
Machinery and equipment	4,468,236	4,167,359
Furniture and fixtures	2,140,302	2,057,693
Computer equipment	1,651,543	1,571,837
Vehicles	654,992	587,496
	<u>72,895,550</u>	<u>72,144,518</u>
Less accumulated depreciation	(55,082,534)	(52,433,591)
Construction-in-progress	15,441,996	5,052,953
	<u>\$ 33,255,012</u>	<u>\$ 24,763,880</u>

Depreciation expense for the years ended December 31, 2014 and 2013 totaled \$2,663,775 and \$2,648,340, respectively.

The Authority has the right to make additions, deletions, modifications and changes to the Leasehold as required for the proper operation and maintenance of Zoo Atlanta by pledging the Leasehold as security for financing, if so required. The Leasehold interest does not require payments of rent to the City.

### 5. 2007 Zoo Series Revenue Bonds and Related Funds

In June 2007, the Authority issued \$14,315,000 of tax free revenue bonds and \$7,515,000 of taxable revenue bonds to support Zoo Atlanta in paying for the cost of various animal exhibits, certain infrastructure, facilities and equipment, improvements to the giant panda exhibit and required payments to the Chinese Association of Zoological Gardens in connection with Zoo Atlanta's giant panda loan agreement. Zoo Atlanta is not obligated to make any principal and interest payments for the 2007 bonds. Accordingly, there is no liability reported in the accompanying financial statements. Zoo Atlanta recognizes government support to the extent that reimbursement for costs, as defined, is received from the trustee of the bond funds. As of December 31, 2013, proceeds of these revenue bonds have been received in full. Cumulatively, Zoo Atlanta has received \$22,936,617 of the revenue bond funds.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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The 2007 Zoo Series Bond Resolution provides for the establishment of the following funds:

Sinking Fund – used for the payment of principal, interest, and premium, if any, on the 2007 Zoo Series bonds.

Renewal and Extension Fund – used for the purpose of making additions, extensions, renewals, replacements or emergency repairs to Zoo Atlanta.

Concurrent with the issuance of the 2007 Zoo Series Revenue Bonds, the City of Atlanta, Fulton County Recreation Authority and Zoo Atlanta entered into a Governmental Agreement Regarding Zoo Atlanta (the Governmental Agreement) and an Operating Agreement for Zoo Atlanta (the Operating Agreement), each for a period not to exceed 50 years. The Government Agreement and the Operating Agreement provide Zoo Atlanta the exclusive right to the use and possession of the Leasehold. In the event of termination of the Government Agreement and the Operating Agreement, all personal and real properties comprising the Leasehold will revert to the Authority.

Pursuant to the Governmental Agreement, if Zoo Atlanta exceeds certain levels of annual attendance, Zoo Atlanta must deposit payments into a Sinking Fund and Renewal and Extension Fund. The amount of the payment to each fund is equal to a percentage of revenues, as defined, for admissions in excess of annual attendance levels, as defined. If attendance is in excess of 900,000 but less than 1,000,000, 25% of the incremental admission revenues must be paid; 50% of the incremental admission revenues must be paid for attendance levels greater than 1,000,000 but less than 1,100,000; and 75% of the incremental admission revenues must be paid for attendance levels exceeding 1,100,000. One half of the percentage of incremental revenues calculated for each attendance tier must be deposited into the Sinking Fund and the remainder must be deposited into the Renewal and Extension Fund. Attendance levels for the years ended December 31, 2014 and 2013 were 900,383 and 852,984, respectively. As of December 31, 2014, Zoo Atlanta owed \$703 according to the agreement.

### **6. Line-of-Credit Payable**

On September 1, 2014, Zoo Atlanta renewed an existing unsecured line of credit in the amount of \$2,000,000 to provide financing for seasonal working capital needs. Interest is due monthly at LIBOR plus 2.75%. The line of credit matures on September 1, 2015.

The line-of-credit agreement contains certain provisions which, among other things, restrict additional borrowings and require Zoo Atlanta to maintain certain minimum financial ratios. There was no balance owed at December 31, 2014. At December 31, 2014, Zoo Atlanta was in compliance with financial and non-financial covenants related to the line-of-credit.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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### 7. Commitments and Contingencies

#### Commitments

The future minimum lease payments under operating leases as of December 31, 2014 are as follows:

Year Ending December 31	Operating Leases
2015	\$ 27,069
2016	9,493
	<u>\$ 36,562</u>

Zoo Atlanta maintains agreements with independent contractors to perform waste management, security and janitorial services. These contracts are typically for either a year or project period and are based on a negotiated fixed fee or hourly rate. Monthly payments under these service contracts total approximately \$52,000.

The Zoo is constructing a new Amphibian and Reptile Complex (Complex) which opened to the public April 2015. Costs incurred to date represent planning, design, permit fees, architect fees, and construction fees and are included in construction in progress in the accompanying financial statements. The Zoo entered into an agreement with one construction contractor for construction and completion of the facility for approximately \$14,049,000. As of December 31, 2014, the remaining payments under this agreement total approximately \$3,538,000. Approximately \$592,000 of the remaining payments is recorded as retainage payable in the accompanying consolidated financial statements. As of December 31, 2014, the Zoo has paid \$10,511,000 in construction costs and the Complex is approximately 84% complete. As of the year ended December 31, 2014, approximately 30% of accrued expenses related to amounts owed to the construction contractor.

The Zoo is obligated to make certain payments to the Chinese Association of Zoological Gardens (the Chinese Party) related to the Giant Pandas (Note 12).

#### Contingencies

In 2006, Zoo Atlanta entered into a ten-year food service and facilities rental contract with a vendor. The agreement calls for the remittance of a percentage of food service and facilities rental revenue from the vendor to Zoo Atlanta. As part of the agreement, the vendor purchased approximately \$734,000 of property and equipment. The property and equipment is owned and maintained by the vendor until the termination of the agreement. In the event of material breach

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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of the agreement, Zoo Atlanta would be required to purchase the property and equipment from the vendor at the predetermined net book value. In June 2011, Zoo Atlanta entered into an agreement to extend the term to May 31, 2018. As consideration for this extension the vendor will provide an additional \$150,000 of food service purchases to be amortized over the term of the agreement. As of December 31, 2014, the net book value of the vendor's food service assets amounted to \$157,206.

During 2013, Zoo Atlanta identified asset retirement obligations associated with regulatory requirements that are anticipated at retirement of such assets. These costs are based on best estimates available and are reflected on the statement of financial position in accrued expenses in the current year totaling \$340,000.

From time to time, Zoo Atlanta is subject to certain claims and litigation arising in the normal course of business. Zoo Atlanta is not aware of any necessary accruals or disclosures related to any such claims or litigation.

### 8. Notes Payable

Notes payable consist of two 60-month, non-interest bearing notes entered into for the purposes of financing vehicle purchases. One note matures in October 2016 and has monthly principal payments of \$568. The other note matures in January 2017 and has monthly principal payments of \$467. The notes are collateralized by the purchased vehicles. Management has determined the effects of imputed interest would be immaterial to the financial statements as a whole.

The future maturities of this note are as follows:

Year Ending December 31,	
2015	\$12,362
2016	10,709
2017	466
	<hr/> \$23,537 <hr/>

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

### 9. Restrictions on Net Assets

#### **Temporarily restricted net assets:**

Temporarily restricted net assets were available for the following purposes as of:

	<b>December 31, 2014</b>	December 31, 2013
Operating programs designated by contributors	\$ 367,114	\$ 313,703
Animal exhibit projects	21,240,329	17,350,502
Capital restricted programs	4,310,587	4,879,132
	<b>\$ 25,918,030</b>	<b>\$ 22,543,337</b>

Temporarily restricted net assets are comprised of the following:

	<b>December 31, 2014</b>	December 31, 2013
Cash	\$ 4,472,089	\$ 12,378,245
Pledges receivable and received	17,135,354	5,285,960
Property and equipment	4,310,587	4,879,132
	<b>\$ 25,918,030</b>	<b>\$ 22,543,337</b>

#### **Permanently restricted net assets:**

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the permanently restricted assets can be used to support Zoo Atlanta's animal management, research, conservation, education, and facility maintenance in accordance with donor restrictions.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

Income from the following permanently restricted net assets is available for the indicated restricted purposes as of:

	<b>December 31, 2014</b>	December 31, 2013
Conservation	\$ 2,272,335	\$ 2,190,021
Research	1,959,397	1,889,389
Animal management	725,102	699,197
Education	249,889	235,779
Facility maintenance	129,129	100,911
	<b>\$ 5,335,852</b>	<b>\$ 5,115,297</b>

The Board of Directors of the Zoo has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Zoo classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Zoo in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Zoo considers the required factors in making a determination whether to appropriate or accumulate donor-restricted endowment funds.

The Zoo's investment policy is designed to combine the goal of total return and preservation of capital with prudent risk tolerance in order to allow investment managers the opportunity to achieve investment results consistent with the financial objectives and in a manner consistent with the values of the Zoo. The funds are diversified among cash and equivalents, various equity classes, and bond classes.

For the year ended December 31, 2014, the Zoo established an annual spending target for the endowment to be no greater than 4.5% of the previous 12 quarter trailing average of endowment market value to provide for financial aid and other operating expenses as determined by the Board of Directors. Investment income can be accumulated if not used for current purposes.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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### 10. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the donor-imposed restriction, due to the passage of time, or by the occurrence of other events specified by donors.

For the years ended December 31, 2014 and 2013 net assets were released for the following purposes:

	2014	2013
Animal management	\$ 182,102	\$ 175,050
Conservation and research	331,810	220,991
Depreciation on temporarily restricted assets	565,957	605,853
Education	124,578	87,013
Total restricted release	\$ 1,204,447	\$ 1,088,907

### 11. Employee Benefit Plan

Zoo Atlanta sponsors a 403(b) tax deferred annuity plan (the Plan) that covers substantially all of its employees. Effective January 1, 2014, Zoo Atlanta matches contributions up to 50% of participants' pre-tax contributions, up to 3% of salary deferred. For the year ended December 31, 2013, Zoo Atlanta matched contributions equal to 25% of participants' pre-tax contributions, up to 2% of compensation, with a maximum of \$200 per year. Zoo Atlanta's contributions associated with this Plan totaled \$61,749 and \$13,775 for the years ended December 31, 2014 and 2013, respectively.

### 12. Giant Panda Joint Research Agreement

In 1999, the AZA/Panda Foundation, Zoo Atlanta and the Chinese Party entered into a ten-year agreement regarding joint research on the breeding of giant pandas to help save the endangered species.

Under the original 1999 agreement, the Chinese Party provided the Zoo a pair of captive born and healthy giant pandas with reproductive capability. Both parties conduct and share the results of the breeding research. The ownership of the pair of giant pandas and any cubs born to them during the ten-year period belong to the Chinese Party, and all will be returned to China at the agreement's expiration. Under the agreement, the Zoo was obligated to make a total donation of \$10,000,000 to the Chinese Party for projects involving conservation, breeding research and protection of giant pandas. Zoo Atlanta remitted all required payments under the 1999 agreement.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2014 and 2013

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In 2009, Zoo Atlanta and the Chinese Party entered into a new five-year agreement ending October 29, 2014 regarding joint research on the breeding of giant pandas to help save the endangered species. Under the 2009 agreement, Zoo Atlanta was obligated to make annual donations totaling \$2,500,000 to the Chinese Party and annual donations totaling \$500,000, consisting of \$350,000 to Chengdu Research Foundation for Giant Panda Breeding, and \$150,000 for Zoo Atlanta to support the giant panda conservation program. Additionally, under the 2009 agreement, Zoo Atlanta agreed to an additional donation of \$100,000 annually, consisting of \$70,000 to Chengdu Research Foundation for Giant Panda Breeding and \$30,000 for Zoo Atlanta to support the giant panda conservation program. Zoo Atlanta remitted all required payments under the 2009 agreement and amounts expended for each of the years ended December 31, 2014 and 2013 were \$600,000. For the above-mentioned purposes these amounts are included in the financial statements under the conservation and education expense description.

In 2014, the five-year agreement with the Chinese Party expired and Zoo Atlanta and the Chinese Party entered into a new ten-year agreement ending October 29, 2024 regarding joint research on the breeding of giant pandas to help save the endangered species. Under the 2014 agreement, Zoo Atlanta is obligated to make annual donations, which total \$5,000,000, to the Chinese Party for projects involving conservation, breeding, research and protection of giant pandas. The payments are due on an annual basis of \$500,000 per year over the ten-year period. Both parties have the option to review the agreement at the end of the first five-year period. Zoo Atlanta records a liability for the donation of this amount each year. Remitting the payments under this agreement is contingent upon written approval by the U.S. Department of the Interior, Fish and Wildlife Service.

Under the 2014 agreement, Zoo Atlanta also agreed to an additional donation of \$100,000 annually for five years, consisting of \$70,000 to Chengdu Research Foundation for Giant Panda Breeding, and \$30,000 for Zoo Atlanta to support the giant panda conservation program.

In 2006, Zoo Atlanta's first panda cub was born. Pursuant to the 1999 agreement with the Chinese Party, revenues that Zoo Atlanta derives from the birth of a cub must be shared with the Chinese Party. During 2007, Zoo Atlanta engaged in discussions with the Chinese Party and reached an agreement as to the portion of revenues to be shared with the Chinese Party. Consequently, in 2007 Zoo Atlanta recorded a \$310,000 obligation, a portion of which is payable directly to a local Atlanta university in support of a graduate student research assistantship for a Chinese student colleague. For the year ended December 31, 2014, Zoo Atlanta paid \$31,250 for the above referenced graduate student. The balance of this obligation totaled \$88,750 and \$120,000 as of December 31, 2014 and 2013, respectively, and was included in the consolidated financial statements under accrued expenses.

Pursuant to the 2014 agreement with the Chinese Party, no revenues generated, if any, from the birth of a cub are required to be shared with the Chinese Party.

# **Atlanta-Fulton County Zoo, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements December 31, 2014 and 2013**

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During 2012, Zoo Atlanta agreed to provide one-time support to the Chinese Party for conservation initiatives in China. The support will be in the form of cash payments and support for University level degree programs for Chinese student colleagues. These payments will be made directly to a local university located in Atlanta. This is to be fulfilled over a period of not more than eight years and will be payable to the university once the specific students are identified. The balance of this obligation as of December 31, 2014 is \$180,000. This amount is included in the consolidated financial statements under accrued expenses.