



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

**Consolidated Financial Statements**  
December 31, 2016 and 2015

# 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, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 9, 2017

*Windham Brannon, P.C.*

Certified Public Accountants

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Consolidated Statements of Financial Position December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash	\$ 9,176,946	\$ 7,789,513
Accounts receivable, net of allowance for doubtful accounts	547,558	324,382
Prepaid expenses	539,933	486,474
Inventories, net of reserve	263,617	268,501
Pledges receivable, net of allowance for uncollectible pledges and discounts	8,658,910	7,829,230
Investments	10,912,256	5,570,762
Property, equipment and leasehold interest, net of accumulated depreciation	35,480,299	36,346,655
Animal collections	1	1
<b>Total assets</b>	<b>\$ 65,579,520</b>	<b>\$ 58,615,518</b>
<b>Liabilities and net assets</b>		
Accounts payable	\$ 583,849	\$ 432,063
Accrued expenses	2,145,897	2,143,063
Deferred revenue	169,387	228,557
Note payable	415	11,124
<b>Total liabilities</b>	<b>2,899,548</b>	<b>2,814,807</b>
<b>Net assets</b>		
Unrestricted	28,144,941	29,486,905
Temporarily restricted	29,029,818	21,150,831
Permanently restricted	5,505,213	5,162,974
<b>Total net assets</b>	<b>62,679,972</b>	<b>55,800,710</b>
<b>Total liabilities and net assets</b>	<b>\$ 65,579,520</b>	<b>\$ 58,615,518</b>

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Consolidated Statements of Activities For the Year Ended December 31, 2016

(with summarized totals for the year ended December 31, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<b>Support and revenue</b>					
Support					
Contributions	\$ 697,707	\$ 9,110,492	\$ 1,250	\$ 9,809,449	\$ 12,049,372
Government support	250,000	-	-	250,000	1,756,600
Contributed goods and services	493,830	-	-	493,830	386,283
<b>Total support</b>	1,441,537	9,110,492	1,250	10,553,279	14,192,255
Revenues					
Admissions	9,360,326	-	-	9,360,326	7,717,027
Concession and rental sales	4,577,753	-	-	4,577,753	4,209,266
Membership fees	3,522,373	-	-	3,522,373	3,522,143
Special events	1,009,007	-	-	1,009,007	1,005,042
Conservation and education	1,522,949	-	-	1,522,949	1,449,960
Sponsorships	361,950	-	-	361,950	339,000
Other	191,073	-	-	191,073	171,943
Investment income (loss)	8,226	17,738	519,786	545,750	(23,880)
<b>Total revenue</b>	20,553,657	17,738	519,786	21,091,181	18,390,501
Net assets released from restrictions:					
Satisfaction of program restrictions	1,428,040	(1,249,243)	(178,797)	-	-
<b>Total net assets released from restrictions</b>	1,428,040	(1,249,243)	(178,797)	-	-
<b>Total support and revenue</b>	23,423,234	7,878,987	342,239	31,644,460	32,582,756
<b>Expenses</b>					
Program services					
Animal management	6,828,741	-	-	6,828,741	6,357,266
Operations	6,135,857	-	-	6,135,857	5,438,908
Concessions and rental events	3,676,940	-	-	3,676,940	3,294,099
Conservation and education	3,238,094	-	-	3,238,094	2,840,919
Marketing	998,911	-	-	998,911	1,235,584
Membership	648,401	-	-	648,401	635,387
Contributed goods and services	314,173	-	-	314,173	329,224
<b>Total program services</b>	21,841,117	-	-	21,841,117	20,131,387
Support services					
General administration	1,455,652	-	-	1,455,652	1,307,165
Development	1,106,492	-	-	1,106,492	1,255,609
Marketing	182,280	-	-	182,280	150,186
Contributed goods and services	179,657	-	-	179,657	57,059
<b>Total support services</b>	2,924,081	-	-	2,924,081	2,770,020
<b>Total expenses</b>	24,765,198	-	-	24,765,198	22,901,407
<b>Change in net assets</b>	(1,341,964)	7,878,987	342,239	6,879,262	9,681,349
<b>Net assets, beginning of year</b>	29,486,905	21,150,831	5,162,974	55,800,710	46,119,361
<b>Net assets, end of year</b>	\$ 28,144,941	\$ 29,029,818	\$ 5,505,213	\$ 62,679,972	\$ 55,800,710

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

**Consolidated Statements of Functional Expenses  
For the Year Ended December 31, 2016**

(with summarized totals for the year ended December 31, 2015)

	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/Services	Total Support Services	2016	2015
Salaries and benefits	\$ 3,700,879	\$ 1,851,032	\$ 1,457,529	\$ 1,415,201	\$ 323,635	\$ 281,070	\$ -	\$ 9,029,346	\$ 1,036,397	\$ 612,438	\$ 138,701	\$ -	\$ 1,787,536	\$ 10,816,882	\$ 10,363,928
Cost of goods sold	-	-	1,232,506	-	-	-	-	1,232,506	-	-	-	-	-	1,232,506	1,064,757
Professional fees	1,097	195,684	-	253,997	88,360	-	-	539,138	106,927	124,780	34,187	-	265,894	805,032	646,926
Advertising	-	-	-	-	564,905	135,074	-	699,979	665	8,600	270	-	9,535	709,514	1,021,124
Office supplies, printing, postage	113,276	382,707	135,437	286,039	11,102	165,333	-	1,093,894	5,855	36,988	4,588	-	47,431	1,141,325	855,212
Travel	39,463	43,086	8,394	84,644	-	2,033	-	177,620	1,557	-	-	-	1,557	179,177	155,040
Depreciation	2,359,545	580,811	363,007	181,503	-	-	-	3,484,866	145,203	-	-	-	145,203	3,630,069	3,027,704
Insurance	-	702,910	-	-	-	-	-	702,910	-	-	-	-	-	702,910	641,211
Utilities	-	863,788	-	-	-	-	-	863,788	-	-	-	-	-	863,788	885,319
Animal Food & Husbandry	509,351	-	-	-	-	-	-	509,351	-	-	-	-	-	509,351	543,152
Outside contracts	15,334	919,257	113,926	70,955	-	13,804	-	1,133,276	62,128	40,938	-	-	103,066	1,236,342	1,139,492
Program costs, incl. Panda Conservation	-	-	-	728,000	-	-	-	728,000	-	-	-	-	-	728,000	724,590
Event costs	15,339	2,518	340,946	5,868	3,853	11,710	-	380,234	9,041	148,707	1,651	-	159,399	539,633	508,995
General repairs & maintenance	22,930	272,049	11,111	124,762	-	-	-	430,852	5,766	60,191	-	-	65,957	496,809	430,501
Other	51,527	322,015	14,084	87,125	7,056	39,377	-	521,184	82,113	73,850	2,883	-	158,846	680,030	507,172
Contributed goods & services	-	-	-	-	-	-	-	314,173	-	-	-	-	179,657	493,830	386,283
<b>Total</b>	<b>\$ 6,828,741</b>	<b>\$ 6,135,857</b>	<b>\$ 3,676,940</b>	<b>\$ 3,238,094</b>	<b>\$ 998,911</b>	<b>\$ 648,401</b>	<b>\$ 314,173</b>	<b>\$ 21,841,117</b>	<b>\$ 1,455,652</b>	<b>\$ 1,106,492</b>	<b>\$ 182,280</b>	<b>\$ 179,657</b>	<b>\$ 2,924,081</b>	<b>\$ 24,765,198</b>	<b>\$ 22,901,407</b>

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Consolidated Statements of Cash Flows For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 6,879,262	\$ 9,681,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of asset	10,555	1,250
Realized gain on investments	(101,388)	(53,555)
Unrealized (gain) loss on investments	(299,377)	206,459
Provision for uncollectible receivables	4,910	50,483
Depreciation expense	3,630,069	3,027,704
(Increase) decrease in assets:		
Accounts receivable, net of allowance for doubtful accounts	(223,176)	49,150
Prepaid expenses	(53,459)	(261)
Inventories, net of reserve	4,884	5,344
Pledges receivable, net of allowance	(834,590)	(3,950,894)
Increase (decrease) in liabilities:		
Accounts payable	151,787	(43,238)
Accrued expenses	2,834	(266,710)
Construction retainage payable	-	(591,525)
Deferred revenue	(59,170)	76,469
<b>Net cash provided by operating activities</b>	<b>9,113,140</b>	<b>8,192,025</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(5,393,643)	(363,711)
Sales of investments	452,912	393,739
Purchase of property and equipment	(2,774,268)	(6,120,596)
<b>Net cash used by investing activities</b>	<b>(7,714,999)</b>	<b>(6,090,568)</b>
<b>Cash flows from financing activities</b>		
Repayment of note payable	(10,709)	(12,412)
<b>Net cash used by financing activities</b>	<b>(10,709)</b>	<b>(12,412)</b>
<b>Net change in cash</b>	<b>1,387,432</b>	<b>2,089,045</b>
<b>Cash, beginning of year</b>	<b>7,789,513</b>	<b>5,700,469</b>
<b>Cash, end of year</b>	<b>\$ 9,176,946</b>	<b>\$ 7,789,513</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ -	\$ -
Barter exchange of admission tickets for advertising services	\$ 61,000	\$ 76,000

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

## **Notes to Consolidated Financial Statements December 31, 2016 and 2015**

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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 leasehold 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, 2016 and 2015

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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 2015 includes summarized information in total but not by net asset class. Accordingly, such information should be read in conjunction with Zoo Atlanta's audited financial statements for the year ended December 31, 2015, 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 balances in cash and cash equivalents at a financial institution that are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, balances may exceed FDIC insured limits. At December 31, 2016 and 2015, the cash balances related to temporarily restricted net assets were \$5,774,553 and \$5,250,227, respectively.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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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 and certificates of deposit. Mutual funds are valued at quoted market prices for the identical security in an active market that Zoo Atlanta has the ability to access. Certificates of deposit with original maturity dates greater than three months at issuance are included in investments.

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 estimates of 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

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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highest level of unobservable inputs. At December 31, 2016 and 2015, Zoo Atlanta's investments are considered to be Level 1.

### **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 provided to the Authority and the Authority in turn has provided 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, 2016 and 2015.

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

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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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 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 September 30, 2017. Management and the donor expect this conditional pledge to be paid in full by September 30, 2017.

For the year ended December 31, 2016, government support consisted of amounts received from the Authority for capital improvements and from the 2007 Zoo Series Revenue Bonds. 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. In 2015, government support also included the estimated value of property of \$1,731,600 provided by the City of Atlanta (Note 13). Amounts are recognized as government support in the period received.

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 individuals and 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 online 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, 2016 and 2015, the Zoo recognized approximately \$61,000 and \$76,000, respectively of advertising revenues and advertising expenses from barter transactions.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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### **Advertising**

Advertising costs are expensed as incurred. Advertising expense, excluding the barter transactions, was \$709,514 and \$1,021,124 for the years ended December 31, 2016 and 2015, respectively.

### **Sales Tax**

Zoo Atlanta presents sales taxes on a net basis in the accompanying financial statements. Amounts collected and remitted totaled \$998,569 and \$972,780 for the years ended December 31, 2016 and 2015, respectively.

### **Reclassification**

Certain 2015 amounts have been reclassified to conform to the current year's financial statement presentation.

### **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 9, 2017, which is the date the financial statements were available to be issued.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

### 2. Pledges Receivable

Pledges receivable at December 31, 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Unrestricted	\$ 156,690	\$ 173,010
Restricted for use	8,865,270	7,902,473
	<b>9,021,960</b>	<b>8,075,483</b>
Less allowance for uncollectible pledges	(15,000)	(18,340)
Total pledges receivable	<b>\$ 9,006,960</b>	<b>\$ 8,057,143</b>
Due in less than one year	\$ 3,744,194	\$ 4,214,896
Due in one to five years	5,012,766	3,842,247
Due in more than five years	250,000	-
	<b>9,006,960</b>	<b>8,057,143</b>
Less discount to net present value	(348,050)	(227,913)
Net pledges receivable	<b>\$ 8,658,910</b>	<b>\$ 7,829,230</b>

Pledges to be received after one year are discounted to present value using LIBOR plus 2.75%, which was approximately 3.52% at December 31, 2016. Amortization of the discount is recorded as additional revenue and recorded in accordance with donor-imposed restrictions, if any.

The allowance for doubtful accounts includes the following activity:

	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>
Beginning balance	\$ 18,340	\$ 11,500
Provision for uncollectible accounts	4,910	50,483
Write-off of uncollectible accounts	(8,250)	(43,643)
Ending balance	<b>\$ 15,000</b>	<b>\$ 18,340</b>

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

### 3. Investments

Investments consisted of the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Cash surrender value of life insurance, at surrender value	\$ <b>139,977</b>	\$ 129,169
Equities, at fair value:		
Emerging markets fund	<b>225,169</b>	207,969
International markets fund	<b>376,195</b>	370,890
Small-cap blend fund	<b>353,842</b>	167,934
Mid-cap blend fund	<b>630,536</b>	584,978
Large blend fund	<b>3,006,276</b>	2,885,951
Bonds, at fair value:		
Short-term bond fund	<b>949,734</b>	1,118,371
Certificates of deposit, at fair value	<b>4,999,506</b>	-
Money market, at fair value	<b>231,021</b>	105,500
	<b>\$ 10,912,256</b>	<b>\$ 5,570,762</b>

Fair value is based on quoted prices available in active markets that Zoo Atlanta has the ability to access, 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 year ended December 31, 2016 included a realized gain on investments of \$101,388 and an unrealized gain on investments of \$299,377. Investment income for the year ended December 31, 2015 included a realized gain on investments of \$53,555 and an unrealized loss on investments of \$206,459. For the year ended December 31, 2016, investment income also included \$144,985 and \$130,067 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, 2016 and 2015

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### 4. Property, Equipment and Leasehold Interest

Property and equipment consisted of the following at December 31, 2016 and 2015:

	2016	2015
Buildings, improvements and exhibits	\$ 80,547,262	\$ 80,412,712
Machinery and equipment	5,295,737	5,134,001
Furniture and fixtures	2,645,305	2,490,185
Computer equipment	2,090,653	2,052,130
Vehicles	663,643	663,643
	<b>91,242,599</b>	90,752,671
Less accumulated depreciation	(61,706,172)	(58,080,870)
Construction-in-progress	5,943,871	3,674,854
	<b>\$ 35,480,299</b>	\$ 36,346,655

Depreciation expense for the years ended December 31, 2016 and 2015 totaled \$3,630,069 and \$3,027,704, 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, 2016 and 2015

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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, 2016 and 2015 were 997,976 and 920,779, respectively. As of December 31, 2016 and 2015, Zoo Atlanta owed \$245,291 and \$38,138, respectively, according to the agreement. This amount is included in the consolidated financial statements under accrued expenses.

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

On September 1, 2016, 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, 2017.

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, 2016 or 2015. At December 31, 2016, 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, 2016 and 2015

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### 7. Commitments and Contingencies

#### Commitments:

The future minimum lease payments under operating leases as of December 31, 2016 are as follows:

Year Ending December 31	Operating Leases
2017	\$ 7,229
2018	5,422
	<u>\$ 12,651</u>

Zoo Atlanta maintains agreements with independent contractors to perform waste management, pest control, 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 \$67,600.

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 or early termination 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, 2016, the net book value of the vendor's food service assets amounted to \$136,207.

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 totaling \$340,000, at December 31, 2016.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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. Note Payable

The note payable consists of one 60-month, non-interest bearing note entered into for the purposes of financing a vehicle purchase. The note matured in January 2017 and future maturities on the note are \$415. The note is collateralized by the purchased vehicle. Management has determined the effects of imputed interest would be immaterial to the financial statements as a whole.

### 9. Restrictions on Net Assets

#### Temporarily restricted net assets:

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

	<b>December 31, 2016</b>	December 31, 2015
Operating programs designated by contributors	\$ 528,997	\$ 391,753
Animal exhibit projects	25,093,570	15,211,493
Capital restricted programs	3,407,251	5,547,585
	<b>\$ 29,029,818</b>	<b>\$ 21,150,831</b>

Temporarily restricted net assets are comprised of the following:

	<b>December 31, 2016</b>	December 31, 2015
Cash	\$ 5,774,553	\$ 5,250,227
Investments	4,999,506	-
Pledges receivable	8,658,910	7,829,230
Property and equipment, including construction-in-progress	8,421,879	6,741,037
Other assets	1,174,970	1,330,337
	<b>\$ 29,029,818</b>	<b>\$ 21,150,831</b>

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

### 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.

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

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Conservation	<b>\$ 2,276,719</b>	\$ 2,154,607
Research	<b>1,973,999</b>	1,857,866
Animal management	<b>730,506</b>	687,529
Education	<b>272,171</b>	253,594
Facility maintenance	<b>251,818</b>	209,378
	<b>\$ 5,505,213</b>	\$ 5,162,974

Endowment funds activity for permanently restricted net assets for the years ended December 31, 2016 and 2015 is as follows:

	<b>Conservation</b>	<b>Research</b>	<b>Animal Management</b>	<b>Education</b>	<b>Facility Maintenance</b>	<b>Total</b>
Balance, December 31, 2014	\$ 2,272,335	\$ 1,959,397	\$ 725,102	\$ 249,889	\$ 129,129	\$ 5,335,852
Net (depreciation) appreciation	(19,818)	(17,089)	8,356	9,384	(19,435)	(38,602)
Contributions	-	-	-	-	99,684	99,684
Net assets released	(97,910)	(84,442)	(45,929)	(5,679)	-	(233,960)
Balance, December 31, 2015	2,154,607	1,857,866	687,529	253,594	209,378	5,162,974
Net appreciation	203,178	173,987	78,248	23,184	41,190	519,786
Contributions	-	-	-	-	1,250	1,250
Net assets released	(81,066)	(57,854)	(35,271)	(4,607)	-	(178,797)
<b>Balance, December 31, 2016</b>	<b>\$ 2,276,719</b>	<b>\$ 1,973,999</b>	<b>\$ 730,506</b>	<b>\$ 272,171</b>	<b>\$ 251,818</b>	<b>\$ 5,505,213</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

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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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 cash equivalents, various equity classes, and bond classes.

For the year ended December 31, 2016, the Zoo established an annual spending target to be no greater than 4.5% of the conservation endowment and no greater than 3.0% of the remaining endowment funds to provide for financial aid and other operating expenses as determined by the Board of Directors. The percentages are applied to the previous 12 quarter trailing average of endowment market value. Investment income can be accumulated if not used for current purposes.

### 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, 2016 and 2015 net assets were released for the following purposes:

	2016	2015
Animal management	\$ 330,566	\$ 16,418,974
Conservation and research	631,991	373,576
Depreciation on temporarily restricted assets	426,109	494,601
Education	39,374	78,186
Total restricted release	\$ 1,428,040	\$ 17,365,337

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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### 11. Employee Benefit Plan

Zoo Atlanta sponsors a 403(b) tax deferred annuity plan (the Plan) that covers substantially all of its employees. Zoo Atlanta matches contributions up to 50% of 4% of participants' salary. Zoo Atlanta's contributions associated with this Plan totaled \$89,508 and \$83,548 for the years ended December 31, 2016 and 2015, 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.

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.

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. Zoo Atlanta remitted all required payments under the 2014 agreement and amounts expended for each of the years ended December 31, 2016 and 2015 were \$500,000. For the above-mentioned purposes these amounts are included in the financial statements under the conservation and education expense description.

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.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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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 an estimated \$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, 2016, no funds were expended for this obligation as no student was enrolled during the year for the assistantship program. For the year ended December 31, 2015, Zoo Atlanta paid \$31,250 for the above referenced graduate student. The balance of this estimated obligation totaled \$57,500 as of December 31, 2016 and 2015, 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. 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, 2016 and 2015 was \$180,000. This amount is included in the consolidated financial statements under accrued expenses.

### **13. Cyclorama Project - *A Grand New View: Elephants, Events, and Expansion***

In July 2014, the City of Atlanta announced the relocation and restoration of the historic Atlanta Cyclorama painting and other certain items to the Atlanta History Center. In 2015, the City of Atlanta provided the Cyclorama building (the Facility) and an adjacent parcel of land were to be included under Zoo Atlanta's current Leasehold. Zoo Atlanta entered into a Memorandum of Understanding (MOU) with the Atlanta Historical Society, Inc. (the Atlanta History Center) dated June 18, 2015. The MOU states that both Zoo Atlanta and the Atlanta History Center acknowledge that Zoo Atlanta plans to create a state-of-the-art event and community space that will overlook a newly expanded African savanna elephant habitat and will also renovate Zoo Atlanta's entryway plaza. The Atlanta History Center has removed items in coordination with the construction schedule associated with the redevelopment and construction of the Facility. Zoo Atlanta is not responsible for any of the removal or relocation costs incurred and associated with the painting or related artifacts. Zoo Atlanta is responsible for obtaining and maintaining property insurance on the Facility.

# Atlanta-Fulton County Zoo, Inc. and Subsidiary

## Notes to Consolidated Financial Statements December 31, 2016 and 2015

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The renovation of the Cyclorama building and the related projects noted above will be paid for by private and philanthropic dollars as part of the Zoo's capital campaign *A Grand New View: Elephants, Events, and Expansion*. Contributions for this campaign, both pledged and received, have been classified as temporarily restricted contributions in the consolidated financial statements.

Significant renovations in the Cyclorama building will commence over the next several years. In 2015, Zoo Atlanta recorded the estimated value of the building of \$1,731,600 in construction-in-progress and recognized the addition of the Facility under temporarily restricted government support.