



Report of Independent Auditors and  
Consolidated Financial Statements for

**Woodland Park Zoological Society**

December 31, 2015 and 2014

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Woodland Park Zoological Society

### **Report on Financial Statements**

We have audited the accompanying consolidated financial statements of Woodland Park Zoological Society, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the 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 of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Woodland Park Zoological Society as of December 31, 2015 and 2014, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mass Adams LLP*

Seattle, Washington

May 24, 2016

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<b>ASSETS</b>	December 31,	
	2015	2014
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,023,019	\$ 4,981,471
Accounts receivable, net	161,323	967,664
Promises to give - current, net	663,280	934,297
Receivable from City of Seattle	834,817	722,439
Merchandise inventory	1,557	38,857
Prepaid expenses	770,950	767,363
Total current assets	4,454,946	8,412,091
<b>ENDOWMENT INVESTMENTS</b>	10,973,857	11,647,740
<b>PROMISES TO GIVE, long-term portion, net</b>	484,233	848,700
<b>PROPERTY AND EQUIPMENT, net</b>	4,370,587	2,531,508
<b>OTHER ASSETS</b>	570,661	551,802
<b>ARTWORK</b>	341,539	341,539
	\$ 21,195,823	\$ 24,333,380
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 3,021,046	\$ 3,788,382
Current portion of long-term payable to City of Seattle	46,200	46,200
Deferred revenue	329,191	214,970
Total current liabilities	3,396,437	4,049,552
<b>LONG-TERM PAYABLE TO CITY OF SEATTLE</b>	277,200	323,400
<b>NET ASSETS</b>		
Unrestricted	4,803,217	4,570,609
Temporarily restricted		
Capital campaign	-	2,056,339
Other program restricted	5,853,331	6,477,136
Total temporarily restricted net assets	5,853,331	8,533,475
Permanently restricted		
General endowment	2,644,618	2,644,618
Specific purpose endowments	3,306,020	3,296,726
Total permanently restricted endowments	5,950,638	5,941,344
Carousel	915,000	915,000
Total permanently restricted net assets	6,865,638	6,856,344
Total net assets	17,522,186	19,960,428
	\$ 21,195,823	\$ 24,333,380

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Years Ended December 31,							
	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING ACTIVITIES</b>								
Public support and revenue								
Contributed support	\$ 2,323,226	\$ 2,316,748	\$ -	\$ 4,639,974	\$ 2,314,821	\$ 2,382,668	\$ -	\$ 4,697,489
Admissions and parking	9,578,725	-	-	9,578,725	9,041,260	-	-	9,041,260
Membership fees	3,433,746	-	-	3,433,746	3,388,931	-	-	3,388,931
Events and promotions, net of direct costs	1,517,103	-	-	1,517,103	1,413,336	-	-	1,413,336
Enterprise revenue, less cost of sales of \$0 and \$89,400	2,041,562	-	-	2,041,562	2,226,541	-	-	2,226,541
City of Seattle support	6,735,815	-	-	6,735,815	6,639,950	-	-	6,639,950
King County levy proceeds	4,557,087	-	-	4,557,087	4,555,077	-	-	4,555,077
City Park District support	474,639	-	-	474,639	-	-	-	-
Research grant revenue	1,007	55,637	-	56,644	288,061	92,803	-	380,864
Education fees	950,009	-	-	950,009	810,707	-	-	810,707
Other revenue	419,898	12,517	-	432,415	185,621	140	-	185,761
Net assets released from time restrictions	184,798	(184,798)	-	-	280,420	(280,420)	-	-
Net assets released from purpose restrictions	2,150,742	(2,150,742)	-	-	2,395,048	(2,395,048)	-	-
Total public support, revenue, and other support	<u>34,368,357</u>	<u>49,362</u>	<u>-</u>	<u>34,417,719</u>	<u>33,539,773</u>	<u>(199,857)</u>	<u>-</u>	<u>33,339,916</u>
<b>EXPENSES</b>								
Program services								
Animal management and health care	9,073,924	-	-	9,073,924	8,554,921	-	-	8,554,921
Exhibit development	653,360	-	-	653,360	591,807	-	-	591,807
Grounds and maintenance	7,294,777	-	-	7,294,777	7,139,901	-	-	7,139,901
Education and conservation programs	4,631,897	-	-	4,631,897	4,600,827	-	-	4,600,827
Visitor experiences	4,075,010	-	-	4,075,010	3,889,800	-	-	3,889,800
Marketing and public relations	2,346,127	-	-	2,346,127	2,311,916	-	-	2,311,916
Total operating program expenses	<u>28,075,095</u>	<u>-</u>	<u>-</u>	<u>28,075,095</u>	<u>27,089,172</u>	<u>-</u>	<u>-</u>	<u>27,089,172</u>
Supporting services								
Management and general	4,071,621	-	-	4,071,621	4,251,675	-	-	4,251,675
Fundraising	2,333,034	-	-	2,333,034	2,125,038	-	-	2,125,038
Total operating expenses	<u>34,479,750</u>	<u>-</u>	<u>-</u>	<u>34,479,750</u>	<u>33,465,885</u>	<u>-</u>	<u>-</u>	<u>33,465,885</u>
Change in net assets from operating activities	<u>(111,393)</u>	<u>49,362</u>	<u>-</u>	<u>(62,031)</u>	<u>73,888</u>	<u>(199,857)</u>	<u>-</u>	<u>(125,969)</u>
<b>NON-OPERATING ACTIVITIES</b>								
Contributed support and other revenue	9,791	201,119	9,294	220,204	1,682,449	359,126	147,420	2,188,995
Investment income, gains and losses	(49,109)	(195,717)	-	(244,826)	170,718	597,440	-	768,158
Net assets released from purpose restrictions	2,734,908	(2,734,908)	-	-	3,475,410	(3,475,410)	-	-
Exhibitry improvement expenses, donor-funded	(2,299,341)	-	-	(2,299,341)	(5,395,974)	-	-	(5,395,974)
Management	(46,057)	-	-	(46,057)	-	-	-	-
Fundraising	(6,191)	-	-	(6,191)	(6,489)	-	-	(6,489)
Change in net assets from non-operating activities	<u>344,001</u>	<u>(2,729,506)</u>	<u>9,294</u>	<u>(2,376,211)</u>	<u>(73,886)</u>	<u>(2,518,844)</u>	<u>147,420</u>	<u>(2,445,310)</u>
Total change in net assets	232,608	(2,680,144)	9,294	(2,438,242)	2	(2,718,701)	147,420	(2,571,279)
NET ASSETS - beginning of year	<u>4,570,609</u>	<u>8,533,475</u>	<u>6,856,344</u>	<u>19,960,428</u>	<u>4,570,607</u>	<u>11,252,176</u>	<u>6,708,924</u>	<u>22,531,707</u>
NET ASSETS - end of year	<u>\$ 4,803,217</u>	<u>\$ 5,853,331</u>	<u>\$ 6,865,638</u>	<u>\$ 17,522,186</u>	<u>\$ 4,570,609</u>	<u>\$ 8,533,475</u>	<u>\$ 6,856,344</u>	<u>\$ 19,960,428</u>

See accompanying notes.

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributed support	\$ 6,106,135	\$ 6,221,571
Cash received from sale of donated stock	189,805	353,816
Cash received from the City of Seattle	6,449,577	6,640,579
Cash received from admissions and parking	9,579,208	9,041,260
Cash received from membership fees	3,433,558	3,388,931
Cash received from King County levy proceeds	4,557,087	4,555,077
Cash received from the City Park District	474,639	-
Cash received from enterprise revenue	2,049,305	2,203,619
Cash received from research grant revenue	122,030	427,794
Cash received from events and promotions	1,556,938	1,413,336
Cash received from education fees	945,796	810,707
Cash received from sale of inventory to new retail partner	37,300	348,221
Parking project reimbursements from the City of Seattle	173,860	1,834,248
Other revenue	424,794	201,554
Cash paid to employees	(22,063,423)	(21,891,130)
Cash paid to vendors	(14,523,838)	(15,672,148)
Conservation grants to others	(379,204)	(445,849)
Net cash used by operating activities	<u>(866,433)</u>	<u>(568,414)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and exhibit improvements	(2,428,819)	(1,095,166)
Proceeds from sale of equipment	-	7,301
Proceeds from investment reinvested in mutual funds	(424,383)	(1,648,603)
Proceeds from sales of investments	423,000	1,608,584
Net cash used by investing activities	<u>(2,430,202)</u>	<u>(1,127,884)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws on line of credit	4,500,000	-
Payments on line of credit	(4,500,000)	-
Cash received from endowment contributions	1,383	163,203
City of Seattle principal payments on long term debt (Note 11)	(46,200)	(92,400)
Endowment withdraws to fund spending, net of endowment receipts	383,000	88,700
Net cash from financing activities	<u>338,183</u>	<u>159,503</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,958,452)	(1,536,795)
<b>CASH AND EQUIVALENTS</b>		
Beginning of year	<u>4,981,471</u>	<u>6,518,266</u>
End of year	<u>\$ 2,023,019</u>	<u>\$ 4,981,471</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 66,212</u>	<u>\$ 17,419</u>

See accompanying notes.

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

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	Years Ended December 31,	
	<u>2015</u>	<u>2014</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET		
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ (2,438,242)	\$ (2,571,279)
Adjustments to reconcile change in net assets to net		
cash used by operating activities		
Depreciation and amortization	589,740	522,889
(Gain) loss on investments	244,826	(806,474)
Contributions restricted to endowment	(9,294)	(147,420)
Donated stock sales not applied to prior pledge balances	55,351	62,660
Decrease (increase) in:		
Accounts receivable	806,341	(778,374)
Promises to give	635,484	2,499,464
Receivable from City of Seattle	(112,378)	144,319
Merchandise inventory	37,300	361,176
Prepaid expenses	(3,587)	(56,002)
Other assets	(18,859)	(125,278)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(767,336)	345,837
Deferred revenue	114,221	(19,932)
Net cash used by operating activities	<u>\$ (866,433)</u>	<u>\$ (568,414)</u>

# WOODLAND PARK ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **Note 1 – Organization and Significant Accounting Policies**

Woodland Park Zoo saves animals and their habitats through conservation leadership and engaging experiences, inspiring people to learn, care, and act. Woodland Park Zoological Society (Zoo Society) was formed as a nonprofit corporation on November 10, 1965, under the laws of the State of Washington. Effective March 1, 2002, the City of Seattle transferred management and financial responsibility for the Woodland Park Zoo to the Zoo Society. Under the twenty-year agreement, the Zoo Society will manage the Zoo and the City will continue to own the Zoo grounds and animal exhibits (unless otherwise noted), including all future improvements funded by the Zoo Society. The City will continue to provide annual public funding.

The Zoo Society's main revenue sources can be grouped into three categories: contributed support (including funds raised at an annual auction and breakfast), earned revenues (including admission fees, membership sales, retail, class fees, and event ticket sales) and public support (from the City of Seattle and a King County Parks Levy). Approximately 80% of the Zoo's expenses cover "program" expenses, which include caring for the many animals, zoo grounds, conservation, and education efforts.

**Basis of Presentation** – The accompanying consolidated financial statements include the balances of both the Woodland Park Zoological Society and Center for Wildlife Conservation (CWC), a wholly controlled nonprofit corporation. As of December 31, 2015 and 2014, the CWC is currently inactive. CWC administered the finances of the Northwest Zoo and Aquarium Alliance, which included participation of eight zoos and aquariums to promote conservation in the Northwest region. Inter-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as the Zoo Society in the notes to the consolidated financial statements.

In accordance with accounting principles generally accepted in the United States of America (US GAAP), the Zoo Society is required to classify information regarding its financial position based on the existence or absence of donor-imposed restrictions. Accordingly, the Zoo Society reports three classes of net assets as follows:

Unrestricted net assets include all net assets on which there are no donor-imposed restrictions for use, or on which donor-imposed restrictions were temporary and have expired. Unrestricted net assets of \$4,790,921 and \$4,570,609 as of December 31, 2015 and 2014, respectively, are available without restriction for support of the Zoo Society's operations. This category of net assets also includes the Board-Designated Endowment which has been built up over the years largely with unrestricted bequests.



## WOODLAND PARK ZOOLOGICAL SOCIETY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1 – Organization and Significant Accounting Policies (Continued)

Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods. Temporarily restricted net assets at December 31 were available as follows:

	<u>2015</u>	<u>2014</u>
Net earnings and market appreciation from certain endowments	\$ 2,587,040	\$ 3,036,515
Education programs	1,117,317	885,330
Other projects	871,605	896,063
Conservation programs	787,584	874,662
Assets held in trust	185,525	185,525
Time restricted (receipt in future periods)	171,219	353,782
Animal support funds	133,041	245,259
Donor-funded exhibit improvements	-	2,056,339
	<u>\$ 5,853,331</u>	<u>\$ 8,533,475</u>

Permanently restricted net assets of \$5,950,638 and \$5,941,344 as of December 31, 2015 and 2014, respectively, represent endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations or specified purposes. An antique carousel valued at \$915,000 is also included as a permanently restricted net asset.

**Cash and Cash Equivalents** – Cash and cash equivalents consist of checking, savings, and money market accounts. The Zoo Society maintains cash deposits in bank accounts which may exceed federally insured limits. The Zoo Society has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

**Accounts Receivable** – Accounts receivable and receivable from City of Seattle are stated at net realizable value. An allowance for doubtful accounts is maintained for any balances aged greater than 90 days. An allowance of \$2,918 was recorded as of December 31, 2015, and an allowance of \$3,665 was recorded as of December 31, 2014.

**Reclassifications** – Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the total change in net assets.

**Promises to Give** – In accordance with US GAAP, unconditional promises to give are recognized as support in the period received. Promises to give are shown net of the allowance for uncollectible amounts which are calculated based on any balances aged greater than 90 days. The fair value of promises to give is estimated by discounting the future cash flows using the risk-free rate of return. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 1 – Organization and Significant Accounting Policies (Continued)**

**Inventory** – Merchandise inventory was recorded at the lower of cost or market on a perpetual moving-average basis until the mid-2014 transition to an outsourcing arrangement for retail operations. As of March 31, 2014, the majority of the retail inventory was purchased by Event Network, the Zoo Society's new retail partner. Inventory valued at \$36,712 remained on consignment with Event Network as of December 31, 2014, but this was reduced to zero as of December 31, 2015. A small amount of Group Sales inventory remains.

**Investments** – The Zoo Society's investments are related to endowment investments for the years ended December 31, 2015 and 2014. The Zoo Society's board has an Investment Subcommittee that appropriately monitors its investments and the valuation of investment assets in accordance with the Endowment Investment and Spending Policy. The investment securities are exposed to various risks, such as interest rate, market, and credit.

**Property and Equipment** – Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Purchases that exceed \$7,500 are capitalized as assets. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, typically from three to five years and 15 to 30 years for major improvements. Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was \$589,740 and \$522,889, respectively. Property and equipment consisted of the following at December 31:

	2014	Additions	Disposals	2015
Furniture and equipment	\$ 3,257,083	\$ 91,492	\$ (24,972)	\$ 3,323,603
Vehicles	700,944	73,542	-	774,486
Office buildings	682,238	-	-	682,238
Parking project leasehold improvements	410,193	811,710	-	1,221,903
Banyan Wilds exhibit leasehold improvements	-	1,452,075	-	1,452,075
All other leasehold improvements	48,644	-	-	48,644
Carousel	915,000	-	-	915,000
	<u>6,014,102</u>	<u>2,428,819</u>	<u>(24,972)</u>	<u>8,417,949</u>
Less: accumulated depreciation	<u>(3,482,594)</u>	<u>(589,740)</u>	<u>24,972</u>	<u>(4,047,362)</u>
Total property and equipment	<u>\$ 2,531,508</u>	<u>\$ 1,839,079</u>	<u>\$ -</u>	<u>\$ 4,370,587</u>

Prior to 2014, the Zoo Society's policy was to expense all additions and improvements made to property owned by the City of Seattle. As such, exhibits and structures such as the penguin exhibit do not show as assets on the consolidated statement of financial position. Effective January 1, 2014, the Zoo Society changed its method of capitalizing additions and improvements and started capitalizing as leasehold improvements any non-donor funded major improvements. This included both new parking plus two office trailers which will be depreciated over 30 years and 15 years, respectively. Donor-restricted funding for the new Banyan Wilds exhibit was exceeded in 2015 so the Zoo Society capitalized its investment of \$1,452,075 in unrestricted funds to complete the exhibit. This change in accounting policy effective January 1, 2014 had no impact on amounts reported in prior years.

## WOODLAND PARK ZOOLOGICAL SOCIETY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 1 – Organization and Significant Accounting Policies (Continued)**

The Zoo Society operates an antique carousel donated by the Alleniana Foundation. The fixed asset value represents estimated fair market value at the date of donation, and this amount is included in permanently restricted net assets. Depreciation commenced when operations began in 2006, using the straight-line method over the estimated useful life of 100 years. A long useful life was selected due to the historic nature of the carousel.

**Collections** – While the animal collection represents the Zoo Society’s most cherished asset, the Zoo Society does not attempt to quantify the value of the collection. Thus, the animal collection is not represented on the consolidated statement of financial position.

**Artwork** – The Zoo Society commissioned and owns certain bronze sculptures that are located on the Zoo grounds. These sculptures are valued at their original acquisition cost. Examples of these sculptures include the bronze ravens perched on a bench along the Northern Trail, the hippo sculpture along the African Savanna pathway, and the crawl-in wren’s nest sculpture near the Family Farm. Artwork is not being depreciated.

**Unemployment Insurance** – The Zoo Society has elected to self-insure its employees for unemployment compensation through participation in the 501(c)3 Agencies Trust plan. Unemployment claims are paid by the Trust from the Zoo Society’s account. At December 31, 2015 and 2014, the Zoo Society had a balance in their account of \$358,608 and \$321,440, respectively, which is included in prepaid expenses. There has not been an excess of claims submitted that would require a liability as of December 31, 2015 and 2014.

**Contributed Property and Equipment** – Contributions of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Contributed property and equipment are only capitalized if they exceed the Zoo Society’s capitalization minimum amount of \$7,500 individually.

Absent donor stipulations regarding how long those donated assets must be maintained, the Zoo Society reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Zoo Society reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Restricted and Unrestricted Support** – Revenues are reported as unrestricted support unless use is limited by donor-imposed restrictions, including time-of-receipt restrictions.

## **WOODLAND PARK ZOOLOGICAL SOCIETY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 1 – Organization and Significant Accounting Policies (Continued)**

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

**In-kind Donations** – Contributed goods and services are recorded at rates that would have been paid for similar goods and services if purchased. In accordance with accounting standards, the consolidated financial statements only reflect the value of in-kind services if the Zoo Society would have incurred such services under normal conditions.

The Zoo Society received contributed services for marketing strategy, media planning and placement, creative development, art direction, and production management related to advertising campaigns. The arrangement with the advertising agency, who supplied a large amount of total in-kind donations, ended in June 2015. Amounts included in the consolidated financial statements related to this arrangement and the corresponding expenses for the years ended December 31, 2015 and 2014 are \$142,494 and \$272,904, respectively. Other In-kind Services donated for the years ended December 31, 2015 and 2014 were valued at \$104,613 and \$80,418, respectively.

In addition to these services, in-kind goods valued at \$13,130 and \$34,187 were received in 2015 and 2014, respectively.

**Related Party Activity** – The Organization receives contributions and promises to give from members of the Board of Directors. Contributions received directly from members of the Board of Directors during fiscal years ended December 31, 2015 and 2014 totaled \$581,182 and \$455,261, respectively.

**Non-Operating Activities** – The Zoo Society’s non-operating activities relate to contributions and funding for zoo exhibits or facilities and related construction spending, plus donor-restricted endowment contributions. Any unusual, one-time expenses may be shown in this section of the consolidated statement of activities as well.

**Functional Allocation of Expenses** – The costs of providing the Zoo Society’s various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

# WOODLAND PARK ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 1 – Organization and Significant Accounting Policies (Continued)

**Joint Costs** – The Zoo Society incurred joint costs for informational materials and activities that included fundraising appeals, specifically for the zoo.org website and the @the zoo member magazine. Those costs were allocated as follows:

	2015	2014
Program services	\$ 219,339	\$ 162,841
Management and general	34,875	38,945
Fundraising	22,934	24,554
	<u>\$ 277,148</u>	<u>\$ 226,340</u>

**Advertising** – The Zoo Society expenses the production costs of advertising as incurred. Advertising expense was \$926,457 and \$893,749 for the years ended December 31, 2015 and 2014, respectively. These amounts do not include the in-kind donated services noted earlier in this footnote.

**Use of Estimates** – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes** – The Internal Revenue Service has recognized both the Woodland Park Zoological Society and the Center for Wildlife Conservation as 501(c)3 organizations exempt from federal income taxes under Section 509(a)(1) as publicly supported charitable organizations. The Zoo Society is subject to federal income taxes for any activities that are unrelated to its exempt purpose. Unrelated business income tax, if any, is insignificant and no provision for income taxes has been made. The Zoo Society recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

### Note 2 – Management Agreement

As noted above, the City of Seattle transferred management and financial responsibility for the Woodland Park Zoo to the Zoo Society during the year ended December 31, 2002. The Operations and Management Agreement was effective March 1, 2002 and expires February 28, 2022 with an option to extend the agreement for an additional ten year period. In accordance with this agreement as well as related agreements, the Zoo Society received City Operations Support Payments totaling \$6,735,815 and \$6,639,950 in 2015 and 2014, respectively, and will continue to receive these support payments, increased annually by an inflation index, for the duration of the Management Agreement.

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 3 – King County Levy**

The Zoo Society recorded \$4,557,087 and \$4,555,077 in 2015 and 2014, respectively, as revenue from the King County Parks Levy. As of December 31, 2015 and 2014, \$0 and \$569,143 was recorded in accounts receivable, respectively. In August 2013, county voters approved a 6-year levy for future funding as the previous levy expired on December 31, 2013.

**Note 4 – Endowment Investments**

The Zoo Society’s endowment investments are managed together in a single investment pool. Each endowment fund purchases units of the pool on a quarterly basis, and the value of the units reflects the pool’s investment earnings or losses less fees.

Effective January 1, 2015, the Zoo Society started reporting all endowment investment related revenues and expenses in the non-operating section of the income statement, as opposed to showing as operating activity. The 2014 activity has been reclassified to non-operating as well to conform with the 2015 presentation.

Investments are stated at fair value based on quoted market prices and consist of the following:

	<u>2015</u>	<u>2014</u>
Money Market Funds	\$ 22,502	\$ 28,557
Equity Funds	7,477,002	7,872,177
Bond Funds	2,843,789	3,120,755
Real Estate Fund	<u>630,564</u>	<u>626,251</u>
Total investments	<u>\$ 10,973,857</u>	<u>\$ 11,647,740</u>

The above endowment investment pool amounts are less than the total endowment net assets in the endowment footnote (Note 15) due to the following:

	<u>2015</u>	<u>2014</u>
Endowment pledges receivable at year end	\$ 14,914	\$ 33,518
Endowment cash receipts not yet forwarded to the consolidated investment pool	<u>98,212</u>	<u>99,709</u>
Total receipts added after year end	113,126	133,227
Total investments	<u>10,973,857</u>	<u>11,647,740</u>
Total endowment net assets	<u>\$ 11,086,983</u>	<u>\$ 11,780,967</u>

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 4 – Endowment Investments (Continued)**

The components of investment income for the years ended December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 424,383	\$ 396,700
Investment gains (losses)	<u>(669,209)</u>	<u>371,458</u>
	<u>\$ (244,826)</u>	<u>\$ 768,158</u>

**Note 5 – Assets Held in Trust**

The Zoo Society is named as remainderman in a charitable remainder trust agreement. The terms provide for the disbursement of income from the trust assets to the Zoo Society upon the termination of income payments to the beneficiary or other stipulated conditions, such as the beneficiary's departure from the property. At this time, the trust has run out of its cash balance and the beneficiary's trust has ended.

The Zoo Society received notice that the beneficiary residing in the property held in trust would be vacating the premises in 2016. The Zoo Society will receive the net proceeds from the sale of the property. The December 31, 2015 and 2014 value of the property reflects the approximate net sales proceeds of \$185,525 that management believes will be received when the property is sold. This value is \$119,000 higher than the net present value of \$66,525 recorded as the estimated fair value of assets as of December 31, 2013. This asset is included in Other Assets on the consolidated statement of financial position.

**Note 6 – Promises to Give**

Promises to give at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 784,472	\$ 1,140,264
Receivable in one to five years	<u>504,350</u>	<u>884,217</u>
	1,288,822	2,024,481
Less discount to present value at 3%	(20,117)	(35,517)
Less allowance for uncollectible accounts	<u>(121,192)</u>	<u>(205,967)</u>
	<u>\$ 1,147,513</u>	<u>\$ 1,782,997</u>

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 6 – Promises to Give (Continued)**

Promises to give by exhibit at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Banyan Wilds exhibit	\$ 276,913	\$ 577,604
Night House Renovations	115,000	-
All other promises to give	<u>896,909</u>	<u>1,446,877</u>
	<u>\$ 1,288,822</u>	<u>\$ 2,024,481</u>

At December 31, 2015, 21% of promises to give are due from two donors. At December 31, 2014, 30% of promises to give are due from two donors.

**Note 7 – Collective Bargaining Agreement**

Approximately one-third of the Zoo Society’s typical year-round staffing levels are covered by a unified three-year agreement between the Zoo Society and multiple labor unions. The current contract expires on December 31, 2016.

**Note 8 – Line of Credit**

The Zoo Society has a revolving line of credit expiring January 22, 2018. The line is secured by all assets, excluding those in the endowment. The line had a maximum of \$2 million through September 30, 2014, then increased to a \$4 million limit. Bank advances on the line of credit are payable by the date of expiration and subject to an annual 30-day “clean up” period. Interest is calculated at either the Prime rate or LIBOR plus 2%, at the Zoo Society’s option, and is payable monthly. A minimum 3% rate was removed in early 2016 when the line was renewed as of January 22, 2016 for a two-year period and is subject to certain financial covenants. Upon renewal in 2016, the line of credit now has two loan covenants that are measured annually on the last day of the year; these require a total endowment balance of not less than \$8 million, and a Board-Designated Endowment balance of not less than \$2 million.

During 2015, accumulated draws on the line of credit totaled \$4,500,000 which were repaid during the year leaving no outstanding balance as of December 31, 2015. The line was not utilized in 2014. For the years ended December 31, 2015 and 2014, the Company paid interest expense of \$66,212 and \$17,419, respectively, for both unused credit fees and outstanding balance fees.



**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 9 – Contributed Support**

Operational contributions consist of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Major gifts	\$ 1,537,722	\$ 1,635,489
Jungle Party fund-an-item	747,018	587,088
Jungle Party, excluding ticket sales	667,844	457,259
Corporate sponsorships	590,367	513,466
Annual fund	586,522	688,427
In-kind support	260,237	387,509
Thrive!, excluding ticket sales	186,275	222,824
ZooParent animal adoptions	35,704	32,214
On-grounds contributions	28,285	20,177
Planned giving	-	153,036
	<u>\$ 4,639,974</u>	<u>\$ 4,697,489</u>

**Note 10 – Events and Promotions**

Events and promotions consist of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
ZooTunes, less direct cost of benefits provided to participants of \$650,500 and \$550,500.	\$ 653,052	\$ 629,676
WildLights	660,645	654,935
Fundraising events and promotions, less direct cost of benefits provided to participants of \$204,456 and \$184,547.	<u>203,406</u>	<u>128,725</u>
	<u>\$ 1,517,103</u>	<u>\$ 1,413,336</u>

**Note 11 – Long-Term Payable to City of Seattle**

In 2013, the Zoo Society and City of Seattle reached an agreement related to many years of efforts to expand Zoo visitor parking. This agreement, which was approved by the City of Seattle and amended the original Operations and Management Agreement, provided for the City to reimburse the Zoo Society up to a maximum of \$2 million for parking improvements that will result in approximately 165 new parking spaces. As part of this arrangement, the Zoo Society assumed responsibility for repaying the City for its \$462,000 share of the earlier parking garage expenses plus a negotiated interest amount of \$10,800 per year starting in 2013.

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 11 – Long-Term Payable to City of Seattle (Continued)**

The principal payments are due as follows:

2016	\$ 46,200
2017	46,200
2018	46,200
2019	46,200
2020	46,200
Thereafter	<u>92,400</u>
	<u>\$ 323,400</u>

**Note 12 – Retirement Plan**

The Zoo Society provides retirement benefits for all Zoo Society employees through a defined contribution plan. Employer contributions are based on a matching formula. The Zoo Society retirement contributions during the years ended December 31, 2015 and 2014 totaled \$774,567 and \$692,091, respectively. The Zoo Society also provides a non-qualified, non-matching, deferred compensation plan open to senior management. Deferred compensation plan assets of \$385,133 and \$366,274 are recorded in other assets on the consolidated statements of financial position as of December 31, 2015 and 2014, respectively.

**Note 13 – Contributions Collected on Behalf of Other Organizations**

During the years ended December 31, 2015 and 2014, the Zoo Society raised \$88,963 and \$144,409, respectively, for several non-profit conservation organizations from around the world, including conservation partners in Asia; Hornbill research and AAZK (a zookeepers' association). The Zoo Society does not record these contributions or the related expenses in the consolidated statements of activities as they are agency transactions.

**Note 14 – Conditional Promises to Give**

During the years ended December 31, 2015 and 2014, the Zoo Society received conditional pledges of support for future year activities. These have not been recorded because they are dependent upon future events or activities occurring.

Multi-year event sponsorship pledges total \$278,000 and \$0 for 2015 and 2014, respectively. These pledges will be recognized in the year in which the activity occurs, satisfying the condition.

## **WOODLAND PARK ZOOLOGICAL SOCIETY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 15 – Endowments**

As of December 31, 2015, the Zoo Society has nine funded endowments established for a variety of mission-related purposes. One of these endowments is a board-designated general endowment established by the Board in 2001 by its Gift Acceptance Policy. This policy provides that unrestricted bequests (up to an annual maximum amount) are to be placed in this board-designated general endowment fund. As required by financial accounting standards, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The initial dollar value of donor-restricted contributions to any endowment is shown as a permanently restricted net asset, while the returns on those funds are shown as temporarily restricted net assets. The Board-Designated Endowment and related returns are shown as unrestricted net assets.

Endowments in Washington State are governed by the “Uniform Prudent Management of Institutional Funds Act,” UPMIFA, as stated in the Revised Code of Washington (RCW) 24.55.

UPMIFA provides that unless stated otherwise in endowment gift instruments, no portions of donor-restricted endowments will be shown as unrestricted net assets other than amounts appropriated for spending in the current year, or negative endowment earnings to date.

**Interpretation of Relevant Law** – The Zoo Society Board has interpreted 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 Society classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. 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.

**Endowment Oversight and Investment Policy** – While the Board retains the fiduciary responsibility for the Zoo Society’s endowment fund assets, it delegates oversight of the investment of such assets to its Investment Subcommittee. The Investment Subcommittee (the “Subcommittee”) of the Finance Committee was established in 2000 to provide oversight and implementation of the broad guidelines approved by the Board for the management of the Zoo Society’s endowment funds. It is comprised of Finance Committee and other Board members, and may also include non-Board members.

Returns are compared to a custom benchmark that closely mirrors the market segment allocations of the investments in the annual evaluation of the manager’s performance.

## WOODLAND PARK ZOOLOGICAL SOCIETY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 15 – Endowments (Continued)

In managing the endowment investments, the Subcommittee will comply with the standard of conduct set forth in UPMIFA, including:

- Acting in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances;
- Making decisions about an individual asset in the context of the Zoo Society’s portfolio as a whole and as a part of an overall investment strategy;
- Considering the following factors, if relevant (and unless instructed otherwise by the terms of the applicable gift instrument):
  - ◆ General economic conditions,
  - ◆ Effects of inflation or deflation,
  - ◆ Expected tax consequences,
  - ◆ Expected total return from income and appreciation,
  - ◆ The Zoo Society’s other resources,
  - ◆ Balancing the Zoo Society’s needs for both spending and preserving capital, and
  - ◆ An asset’s special relationship or special value, if any, to the Zoo Society’s charitable purposes.

**Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives** – The endowments are managed with the broad goal of investment income growth that will be used to provide a stable, supplemental source of funding for Zoo operations and donor specified programs. The Subcommittee seeks to maximize the long-term total returns consistent with prudent levels of risk. Investment diversification and selecting a “target investment return” are keys to managing risk.

A target investment return percentage is identified annually by the Subcommittee. This target will be calculated as the sum of the following annual components (expressed as percentages):

- ◆ The Rate of Inflation (a local 5-year rolling average)
- ◆ Desired Endowment Earnings Growth
- ◆ Annual Investment Management Fees
- ◆ Plus/Minus Rounding to the Nearest Percentage

For example, the target investment return percentage for both 2014 and 2015 was 7%. The Subcommittee will determine these percentages in light of discussions with Zoo Society management and the investment advisor. These objectives are re-evaluated on an annual basis and compared to actual results and the prevailing financial market environment.

## WOODLAND PARK ZOOLOGICAL SOCIETY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 15 – Endowments (Continued)

An aggregate “total return” methodology is applied (all interest and dividends automatically reinvested), and results for the trailing 12 months are reviewed each quarter. While these periodic reviews occur and the objectives may slightly change, the time horizon basically remains “long-term” for investment purposes. The endowments’ investments are rebalanced to the Subcommittee’s approved asset allocation on at least an annual basis.

**Spending Policy** – In accordance with the Zoo Society Endowment Investment and Spending Policy, the Investment Subcommittee makes recommendations regarding annual endowment spending totals and incorporates spending plans into the management of endowment investments.

As provided in UPMIFA and subject to any restrictions in the applicable gift instrument, the Zoo Society may spend from or accumulate so much of a donor-restricted endowment fund (including its principal) as the Board or a duly authorized Board committee determines is prudent given the uses, benefits, purposes, and duration for which the endowment fund was created. In making decisions about how much of each endowment fund to spend or accumulate, the Subcommittee will consider the following factors, if relevant:

- ◆ Duration and preservation of the endowment fund;
- ◆ Purposes of the Zoo Society and the endowment fund;
- ◆ General economic conditions;
- ◆ Possible effect of inflation or deflation;
- ◆ Expected total return from income and appreciation of investments;
- ◆ Zoo Society’s other resources; and
- ◆ This Endowment and Investment Policy.

After considering the above-described factors, the Subcommittee will recommend a spending percentage, subject to the approval of the Finance Committee, to be applied in calculating the distribution for the specific endowment funds that the committee decides to spend from (the “Spending Percentage”). The Spending Percentage will be calculated as an annual percentage of the average of the prior five (5) years’ total market valuation as of June 30th.

The annual spending percentage for all funds is typically 3%. Spending amounts of \$272,186 and \$241,200 were disbursed for 2015 and 2014’s typical annual spending, respectively. Additionally, in 2014 the Board approved a special spending of the Board-Designated Endowment up to \$500,000 maximum for elephant exhibit improvements. Then in 2015 the Board replaced this initial special spending approval with a new \$500,000 special spending approval to cover elephant transport expenses and initial design expenses for the next two large exhibit efforts. The Zoo Society spent \$64,795 for elephant exhibit improvements in 2014 and spent \$150,000 on elephant transport expenses in 2015 in accordance with the current special spending approval. Reimbursements of up to \$350,000 for exhibit planning are planned to occur in 2016 and 2017.

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 15 – Endowments (Continued)**

**Funds with Deficiencies** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historical dollar value of the donor contributions. In accordance with US GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2015 or 2014.

Endowment net asset composition by type of fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,587,040	\$ 5,950,638	\$ 8,537,678
Board-designated endowment funds	<u>2,549,305</u>	<u>-</u>	<u>-</u>	<u>2,549,305</u>
Total funds	<u>\$ 2,549,305</u>	<u>\$ 2,587,040</u>	<u>\$ 5,950,638</u>	<u>\$ 11,086,983</u>

Changes in endowment net assets for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 2,803,108</u>	<u>\$ 3,036,515</u>	<u>\$ 5,941,344</u>	<u>\$ 11,780,967</u>
Investment return				
Investment income	89,874	334,509	-	424,383
Investment fees	(9,861)	(36,196)	-	(46,057)
Net appreciation/depreciation (realized and unrealized)	<u>(138,983)</u>	<u>(530,226)</u>	<u>-</u>	<u>(669,209)</u>
Total investment return (loss)	<u>(58,970)</u>	<u>(231,913)</u>	<u>-</u>	<u>(290,883)</u>
Contributions	<u>9,791</u>	<u>-</u>	<u>9,294</u>	<u>19,085</u>
Appropriation of endowment assets for expenditure	<u>(204,539)</u>	<u>(217,647)</u>	<u>-</u>	<u>(422,186)</u>
Endowment net assets, end of year	<u>\$ 2,549,390</u>	<u>\$ 2,586,955</u>	<u>\$ 5,950,638</u>	<u>\$ 11,086,983</u>

Endowment net asset composition by type of fund as of December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,036,515	\$ 5,941,344	\$ 8,977,859
Board-designated endowment funds	<u>2,803,108</u>	<u>-</u>	<u>-</u>	<u>2,803,108</u>
Total funds	<u>\$ 2,803,108</u>	<u>\$ 3,036,515</u>	<u>\$ 5,941,344</u>	<u>\$ 11,780,967</u>

## WOODLAND PARK ZOOLOGICAL SOCIETY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 15 – Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,721,326	\$ 2,672,569	\$ 5,793,924	\$ 11,187,819
Investment return				
Investment income	87,597	308,380	-	395,977
Investment fees	(10,333)	(36,012)	-	(46,345)
Net appreciation (realized and unrealized)	82,784	288,674	-	371,458
Total investment return	<u>160,048</u>	<u>561,042</u>	<u>-</u>	<u>721,090</u>
Contributions	<u>30,633</u>	<u>-</u>	<u>147,420</u>	<u>178,053</u>
Appropriation of endowment assets for expenditure	<u>(108,899)</u>	<u>(197,096)</u>	<u>-</u>	<u>(305,995)</u>
Endowment net assets, end of year	<u>\$ 2,803,108</u>	<u>\$ 3,036,515</u>	<u>\$ 5,941,344</u>	<u>\$ 11,780,967</u>

#### Note 16 – Food Service and Retail Subcontract Commitments

The Zoo Society and Lancer Hospitality have a ten year Food Services Concessions Agreement for provision of food services and catering on Zoo grounds through January 15, 2019. This agreement provides a buy-back provision in the event of contract termination prior to expiration of the ten year term. The buy-back amount would be calculated as the capital investment to date paid for by Lancer, less accumulated depreciation.

Gross commissions received in 2015 and 2014 were \$837,211 and \$823,356, respectively. Additionally, Lancer provides funds equal to 3% of gross sales that are applied to expenses incurred by the Zoo Society for food service, utilities, marketing, and repairs.

The Zoo Society transitioned to an outsourced retail arrangement in 2014 by signing a four year, nine month agreement with Event Network effective March 31, 2014. Gross commissions received in 2015 and 2014 totaled \$612,493 and \$500,000, respectively

#### Note 17 – Fair Value Measurements

**Fair Value Measurements** – In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial Accounting Standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied.

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 17 – Fair Value Measurements (Continued)**

The three tiers of inputs used for fair value measurements are as follows:

- Level 1** Fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2** Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value of assets measured on a recurring basis as of December 31, 2015 and 2014 are as follows:

	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of December 31, 2015				
Money Market Fund	\$ 22,502	\$ -	\$ -	\$ 22,502
Equity Funds				
Large Cap Equity Funds	2,531,825	-	-	2,531,825
Mid Cap Equity Fund	1,492,240	-	-	1,492,240
Small Cap Equity Funds	1,454,089	-	-	1,454,089
International Equity Funds	1,998,848	-	-	1,998,848
Total Equity Funds	<u>7,477,002</u>	<u>-</u>	<u>-</u>	<u>7,477,002</u>
Bond Funds				
Domestic Corporate Bond Funds	1,394,285	-	-	1,394,285
International Bond Funds	1,449,504	-	-	1,449,504
Total Bond Funds	<u>2,843,789</u>	<u>-</u>	<u>-</u>	<u>2,843,789</u>
Other				
Global Real Estate Fund	630,564	-	-	630,564
Investments	10,973,857	-	-	10,973,857
Assets held in trust	-	-	185,525	185,525
Total assets shown at fair value	<u>\$ 10,973,857</u>	<u>\$ -</u>	<u>\$ 185,525</u>	<u>\$ 11,159,382</u>



**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 17 – Fair Value Measurements (Continued)**

	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of December 31, 2014				
Money Market Fund	\$ 28,557	\$ -	\$ -	\$ 28,557
Equity Funds				
Large Cap Equity Funds	2,571,861	-	-	2,571,861
Mid Cap Equity Fund	1,656,532	-	-	1,656,532
Small Cap Equity Funds	1,529,209	-	-	1,529,209
International Equity Funds	2,114,575	-	-	2,114,575
Total Equity Funds	<u>7,872,177</u>	<u>-</u>	<u>-</u>	<u>7,872,177</u>
Bond Funds				
Domestic Corporate Bond Funds	1,403,285	-	-	1,403,285
International Bond Funds	1,717,470	-	-	1,717,470
Total Bond Funds	<u>3,120,755</u>	<u>-</u>	<u>-</u>	<u>3,120,755</u>
Other				
Global Real Estate Fund	626,251	-	-	626,251
Investments	11,647,740	-	-	11,647,740
Assets held in trust	-	-	185,525	185,525
Total assets shown at fair value	<u>\$ 11,647,740</u>	<u>\$ -</u>	<u>\$ 185,525</u>	<u>\$ 11,833,265</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Charitable Remainder Trust
Fair value as of December 31, 2013	\$ 185,525
Total gains or losses (realized and unrealized) included in change in net assets	-
Fair value as of December 31, 2014	185,525
Total gains or losses (realized and unrealized) included in change in net assets	-
Fair value as of December 31, 2015	<u>\$ 185,525</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return. The Zoo Society also uses fair value concepts to test various long-lived assets for impairment.

**WOODLAND PARK ZOOLOGICAL SOCIETY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 18 – Foreign Operations**

The Zoo Society's Tree Kangaroo Conservation Program (TKCP) has been working collaboratively with partners for many years in the US, Australia, and Papua New Guinea (PNG) to protect not only tree kangaroos, but the many species of animals in PNG's first national park.

Effective January 1, 2014, the TKCP operations in PNG formed into a legally independent Non-Governmental Organization (NGO). The Zoo Society does not have majority representation on the new NGO's board, and thus stopped accounting for its activities as of this date. The Zoo Society transferred assets with a net book value of \$1,711 to the new NGO, named TKCP-PNG, and counted the ending bank balance of \$32,175 retained by TKCP-PNG as part of the Zoo Society's annual grant funding.

The Zoo Society has a pre-approved grant program for TKCP-PNG, and thus can receive contributions and grants that will be re-granted to TKCP-PNG. The Zoo Society retains variance power in these arrangement and monitors the implementation in PNG. A variety of multi-year grants have been awarded to the TKCP program.

**Note 19 – Operating Leases**

The Zoo Society is leasing several multi-functioning copier and printer devices, one trailer, and a postage meter. There are renewal options for all of these leases, and purchase options for the copier and trailer lease.

Future minimum non-cancelable lease payments for the copier, postage, and trailer lease for years ending December 31 are as follows:

2016	\$ 52,271
2017	35,201
2018	29,628
2019	28,746
2020	26,100
Thereafter	<u>104,400</u>
	<u>\$ 276,346</u>

Rent expense for non-cancelable and month-to-month leases during 2015 and 2014 was \$52,271 and \$43,660, respectively.

## **WOODLAND PARK ZOOLOGICAL SOCIETY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **Note 20 – Seattle Park District**

On August 5, 2014, Proposition 1, “Parks for All,” was approved by the citizens of Seattle, creating the “Seattle Park District” which is a permanent taxing authority that will support parks and recreation services throughout the city as managed by the Department of Parks and Recreation. On June 4, 2015, the Zoo Society entered into an agreement with the City of Seattle Department of Parks and Recreation, with an expiration date of February 15, 2016, to provide certain major maintenance and repair projects for a maximum reimbursement of \$500,000. The agreement was amended on February 16, 2016 to extend the expiration date to December 31, 2017 and amended the maximum budget to \$1,800,000 for projects planned for 2016. This extension process approved a new listing of annual projects, referred to as a Capital Asset Management Plan Project Listing. Expectations are that this process will be repeated annually, with the total budget increasing slightly by an inflation escalator each year.

#### **Note 21 – Subsequent Events**

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Zoo Society recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements.

The Zoo Society’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are issued. The Zoo Society has evaluated subsequent events through May 24, 2016, which is the date the consolidated financial statements were issued.