

Report of Independent Auditors and
Consolidated Financial Statements for

Woodland Park Zoological Society

December 31, 2016 and 2015

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Woodland Park Zoological Society

Report on the 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, 2016 and 2015, 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, 2016 and 2015, 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.

Mon Adam LLP

Seattle, Washington

May 25, 2017

WOODLAND PARK ZOOLOGICAL SOCIETY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31,	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,790,608	\$ 2,023,019
Accounts receivable, net	164,553	161,323
Promises to give - current, net	1,935,376	663,280
Receivable from City of Seattle	1,256,054	834,817
Merchandise inventory	-	1,557
Prepaid expenses	615,230	770,950
Total current assets	8,761,821	4,454,946
ENDOWMENT INVESTMENTS	11,912,547	10,973,857
PROMISES TO GIVE, long-term portion, net	264,958	484,233
PROPERTY AND EQUIPMENT, net	4,299,917	4,370,587
OTHER ASSETS	412,797	570,661
ARTWORK	335,336	341,539
	\$ 25,987,376	\$ 21,195,823
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,508,814	\$ 3,021,046
Current portion of payable to City of Seattle	46,200	46,200
Deferred revenue	296,558	329,191
Total current liabilities	3,851,572	3,396,437
LONG-TERM PAYABLE TO CITY OF SEATTLE	231,000	277,200
NET ASSETS		
Unrestricted	8,439,666	4,803,217
Temporarily restricted		
Capital campaign	575,092	-
Endowment funds	3,356,851	2,587,040
Other program restricted	2,648,113	3,266,291
Total temporarily restricted net assets	6,580,056	5,853,331
Permanently restricted		
General endowment	2,644,618	2,644,618
Specific purpose endowments	3,325,464	3,306,020
Total permanently restricted endowments	5,970,082	5,950,638
Carousel	915,000	915,000
Total permanently restricted net assets	6,885,082	6,865,638
Total net assets	21,904,804	17,522,186
	\$ 25,987,376	\$ 21,195,823

See accompanying notes.

WOODLAND PARK ZOOLOGICAL SOCIETY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended December 31,							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES								
Public support and revenue								
Contributed support	\$ 4,458,607	\$ 2,893,440	\$ -	\$ 7,352,047	\$ 2,323,226	\$ 2,316,748	\$ -	\$ 4,639,974
Admissions and parking	10,124,306	-	-	10,124,306	9,578,725	-	-	9,578,725
Membership fees	3,621,989	-	-	3,621,989	3,433,746	-	-	3,433,746
Events and promotions, net of direct costs	1,828,223	-	-	1,828,223	1,517,103	-	-	1,517,103
Enterprise revenue, less cost of sales of \$0 and \$89,400	2,219,202	-	-	2,219,202	2,041,562	-	-	2,041,562
City of Seattle support	6,782,845	-	-	6,782,845	6,735,815	-	-	6,735,815
King County levy proceeds	4,737,886	-	-	4,737,886	4,557,087	-	-	4,557,087
City Park District support	-	-	-	-	474,639	-	-	474,639
Research grant revenue	-	671,810	-	671,810	1,007	55,637	-	56,644
Education fees	956,117	-	-	956,117	950,009	-	-	950,009
Other revenue	349,013	-	-	349,013	419,898	12,517	-	432,415
Net assets released from time restrictions	13,415	(13,415)	-	-	184,798	(184,798)	-	-
Net assets released from purpose restrictions	2,119,148	(2,119,148)	-	-	2,150,742	(2,150,742)	-	-
Total public support, revenue, and other support	37,210,751	1,432,687	-	38,643,438	34,368,357	49,362	-	34,417,719
EXPENSES								
Program services								
Animal management and health care	9,108,977	-	-	9,108,977	9,073,924	-	-	9,073,924
Exhibit development	653,057	-	-	653,057	653,360	-	-	653,360
Grounds and maintenance	6,858,852	-	-	6,858,852	7,294,777	-	-	7,294,777
Education and conservation programs	5,156,744	-	-	5,156,744	4,631,897	-	-	4,631,897
Membership and visitor experiences	4,786,928	-	-	4,786,928	4,075,010	-	-	4,075,010
Marketing and public relations	2,501,932	-	-	2,501,932	2,346,127	-	-	2,346,127
Total operating program expenses	29,066,490	-	-	29,066,490	28,075,095	-	-	28,075,095
Supporting services								
Management and general	4,788,464	-	-	4,788,464	4,071,621	-	-	4,071,621
Fundraising	2,208,831	-	-	2,208,831	2,333,034	-	-	2,333,034
Total operating expenses	36,063,785	-	-	36,063,785	34,479,750	-	-	34,479,750
Change in net assets from operating activities	1,146,966	1,432,687	-	2,579,653	(111,393)	49,362	-	(62,031)
NON-OPERATING ACTIVITIES								
Contributed support and other revenue	391,735	585,554	19,444	996,733	9,791	201,119	9,294	220,204
Investment income, gains and losses	211,464	1,037,318	-	1,248,782	(49,109)	(195,717)	-	(244,826)
City Park District Support (Note 20)	-	1,822,487	-	1,822,487	-	-	-	-
Net assets released from purpose restrictions	4,151,321	(4,151,321)	-	-	2,734,908	(2,734,908)	-	-
Exhibitry improvement expenses	(2,219,001)	-	-	(2,219,001)	(2,299,341)	-	-	(2,299,341)
Management	(45,564)	-	-	(45,564)	(46,057)	-	-	(46,057)
Fundraising	(472)	-	-	(472)	(6,191)	-	-	(6,191)
Change in net assets from non-operating activities	2,489,483	(705,962)	19,444	1,802,965	344,001	(2,729,506)	9,294	(2,376,211)
Total change in net assets	3,636,449	726,725	19,444	4,382,618	232,608	(2,680,144)	9,294	(2,438,242)
NET ASSETS - beginning of year	4,803,217	5,853,331	6,865,638	17,522,186	4,570,609	8,533,475	6,856,344	19,960,428
NET ASSETS - end of year	\$ 8,439,666	\$ 6,580,056	\$ 6,885,082	\$ 21,904,804	\$ 4,803,217	\$ 5,853,331	\$ 6,865,638	\$ 17,522,186

See accompanying notes.

WOODLAND PARK ZOOLOGICAL SOCIETY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributed support	\$ 7,236,958	\$ 6,106,135
Cash received from sale of donated stock	197,659	189,805
Cash received from the City of Seattle	6,361,608	6,449,577
Cash received from admissions and parking	10,124,305	9,579,208
Cash received from membership fees	3,622,135	3,433,558
Cash received from King County levy proceeds	4,737,886	4,557,087
Cash received from the City Park District	1,822,487	474,639
Cash received from enterprise revenue	2,216,068	2,049,305
Cash received from research grant revenue	642,259	122,030
Cash received from events and promotions	1,831,460	1,556,938
Cash received from education fees	959,983	945,796
Cash received from sale of inventory to new retail partner	1,557	37,300
Parking project reimbursements from the City of Seattle	-	173,860
Other revenue	368,376	424,794
Cash paid to employees	(21,964,235)	(22,063,423)
Cash paid to vendors	(14,573,704)	(14,523,838)
Conservation grants to others	(509,108)	(379,204)
Net cash from (used in) operating activities	3,075,694	(866,433)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and exhibit improvements	(525,317)	(2,428,819)
Proceeds from sale of equipment	3,272	-
Proceeds from investment reinvested in mutual funds	(374,624)	(424,383)
Proceeds from sales of investments	364,877	423,000
Net cash used in investing activities	(531,792)	(2,430,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	3,643,373	4,500,000
Payments on line of credit	(3,643,373)	(4,500,000)
Cash received from endowment contributions	24,690	1,383
City of Seattle principal payments on long term debt (Note 12)	(46,200)	(46,200)
Endowment withdraws to fund spending, net of endowment receipts	245,197	383,000
Net cash from financing activities	223,687	338,183
CHANGE IN CASH AND CASH EQUIVALENTS	2,767,589	(2,958,452)
CASH AND EQUIVALENTS		
Beginning of year	2,023,019	4,981,471
End of year	\$ 4,790,608	\$ 2,023,019
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 45,621	\$ 66,212

WOODLAND PARK ZOOLOGICAL SOCIETY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
RECONCILIATION OF CHANGE IN NET ASSETS TO NET		
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 4,382,618	\$ (2,438,242)
Adjustments to reconcile change in net assets to net cash from (used in) operating activities		
Depreciation and amortization	592,715	589,740
(Gain) loss on investments	(1,248,782)	244,826
Contributions restricted to endowment	168,667	(9,294)
Donated stock sales not applied to prior pledge balances	(112,511)	55,351
Decrease (increase) in:		
Accounts receivable	(3,230)	806,341
Promises to give	(1,052,821)	635,484
Receivable from City of Seattle	(421,237)	(112,378)
Merchandise inventory	1,557	37,300
Prepaid expenses	155,720	(3,587)
Other assets	157,863	(18,859)
Increase (decrease) in:		
Accounts payable and accrued liabilities	487,768	(767,336)
Deferred revenue	(32,633)	114,221
	<u>\$ 3,075,694</u>	<u>\$ (866,433)</u>
Net cash from (used in) operating activities		

WOODLAND PARK ZOOLOGICAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2016 and 2015, 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 \$8,439,666 and \$4,803,217 as of December 31, 2016 and 2015, 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

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>2016</u>	<u>2015</u>
Net earnings and market appreciation from certain endowments	\$ 3,356,851	\$ 2,587,040
Education programs	566,839	1,037,217
Other projects	663,594	871,605
Conservation programs	918,179	787,584
Assets held in trust	-	185,525
Time restricted (receipt in future periods)	130,650	171,219
Animal support funds	257,906	133,041
WISE Consortium (fiscal sponsorship)	110,945	80,100
Capital campaign	<u>575,092</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 6,580,056</u>	<u>\$ 5,853,331</u>

Permanently restricted net assets of \$5,970,082 and \$5,950,638 as of December 31, 2016 and 2015, 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 \$22,171 was recorded as of December 31, 2016, and an allowance of \$2,918 was recorded as of December 31, 2015.

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

Note 1 – Organization and Significant Accounting Policies (continued)

Investments – The Zoo Society’s investments are related to endowment investments for the years ended December 31, 2016 and 2015. The Zoo Society’s board has an Investment Subcommittee that 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, 2016 and 2015 was \$592,715 and \$589,740, respectively. Property and equipment consisted of the following at December 31:

	2015	Additions	Disposals	2016
Furniture and equipment	\$ 3,323,603	\$234,568	(\$29,938)	\$ 3,528,233
Vehicles	774,486	102,198	(8,334)	868,350
Office buildings	682,238	-	(6,055)	676,183
Parking project leasehold improvements	1,221,903	-	-	1,221,903
Banyan Wilds exhibit leasehold improvements	1,452,075	(21,117)	-	1,430,958
All other leasehold improvements	48,644	206,396	-	255,040
Carousel	915,000	-	-	915,000
	8,417,949	522,045	(44,327)	8,895,667
Less accumulated depreciation	<u>(4,047,362)</u>	<u>(592,715)</u>	<u>44,327</u>	<u>(4,595,750)</u>
Total property and equipment	<u>\$ 4,370,587</u>	<u>\$ (70,670)</u>	<u>\$ -</u>	<u>\$ 4,299,917</u>

The Zoo Society capitalizes all non-donor funded major improvements and additions made to City of Seattle property. In 2015, the Zoo Society capitalized portions of the parking expansion and the final portion of the Banyan Wilds exhibit.

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.

WOODLAND PARK ZOOLOGICAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies (continued)

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, 2016 and 2015, the Zoo Society had a balance in their account of \$350,264 and \$358,608, 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, 2016 and 2015.

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.

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.

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies (continued)

In 2015 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 totaled \$142,494 for 2015. In 2016, the Zoo Society received contributed hardware & software valued at \$2,086,867.

In addition to these gifts, in-kind goods valued at \$7,917 and \$13,130 were received in 2016 and 2015, respectively. In-kind Services donated for the years ended December 31, 2016 and 2015, were valued at \$75,523 and \$104,613, 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, 2016 and 2015, totaled \$464,010 and \$420,197, 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 and any fiscal sponsorship arrangements. 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.

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:

	2016	2015
Program services	\$ 221,467	\$ 219,339
Management and general	40,246	34,875
Fundraising	23,637	22,934
	\$ 285,350	\$ 277,148

Advertising – The Zoo Society expenses the production costs of advertising as incurred. Advertising expense was \$894,003 and \$926,457 for the years ended December 31, 2016 and 2015, 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.

WOODLAND PARK ZOOLOGICAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Significant Accounting Policies (continued)

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.

Going concern – During 2016 the Zoo adopted ASU 2014-15, *Going Concern*. The standard requires management to perform an annual assessment of the entity’s ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if “conditions or events raise substantial doubt about the entity’s ability to continue as a going concern.” The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter.

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 \$6,782,845 and \$6,735,815 in 2016 and 2015, respectively, and will continue to receive these support payments, increased annually by an inflation index, for the duration of the Management Agreement.

Note 3 – King County Levy

The Zoo Society recorded \$4,737,886 and \$4,557,087 in 2016 and 2015, respectively, as revenue from the King County Parks Levy.

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Investments

The Zoo Society’s 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.

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

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 96,634	\$ 22,502
Equity funds	7,889,369	7,477,002
Bond funds	3,343,024	2,843,789
Real estate fund	<u>583,520</u>	<u>630,564</u>
Total investments	<u>\$ 11,912,547</u>	<u>\$ 10,973,857</u>

The above investment pool amounts are less than the total endowment net assets in the endowment footnote (Note 16) due to the following:

	<u>2016</u>	<u>2015</u>
Endowment pledges receivable at year-end	\$ 17,260	\$ 14,914
Endowment cash receipts not yet forwarded to the consolidated investment pool	<u>140,101</u>	<u>98,212</u>
Total receipts added after year-end	157,361	113,126
Total investments	<u>11,912,547</u>	<u>10,973,857</u>
Total endowment net assets	<u>\$ 12,069,908</u>	<u>\$ 11,086,983</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 374,570	\$ 424,383
Investment gains (losses)	<u>874,212</u>	<u>(669,209)</u>
	<u>\$ 1,248,782</u>	<u>\$ (244,826)</u>

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Assets Held in Trust

The Zoo Society was named as remainderman in a charitable remainder trust that was fulfilled and terminated in 2016. The Zoo Society received \$185,000 of the net proceeds from the sale of property that was held in trust and sold in 2016. As of December 31, 2015, the trust asset was 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>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 1,990,089	\$ 784,472
Receivable in one to five years	<u>279,375</u>	<u>504,350</u>
	2,269,464	1,288,822
Less discount to present value at 3%	(14,417)	(20,117)
Less allowance for uncollectible accounts	<u>(54,713)</u>	<u>(121,192)</u>
	<u>\$ 2,200,334</u>	<u>\$ 1,147,513</u>

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

	<u>2016</u>	<u>2015</u>
Bequest Receivable	\$ 1,424,835	\$ -
Banyan Wilds exhibit	162,183	276,913
Night House Renovations	193,400	115,000
All other promises to give	<u>489,046</u>	<u>896,909</u>
	<u>\$ 2,269,464</u>	<u>\$ 1,288,822</u>

At December 31, 2016, 56% of promises to give are due from one donor. At December 31, 2015, 21% 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 expired on December 31, 2016, and a new contract was approved on April 24, 2017.

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Line of Credit

The Zoo Society has a \$4 million revolving line of credit, secured by all assets, expiring January 22, 2019. 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 the Prime rate or LIBOR plus 2.75%, at the Zoo Society’s option, and is payable monthly. The line of credit 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 2016, a loan sweep arrangement was set up between the loan account and the Zoo Society’s main bank account so that the nightly loaned balance would be as low as possible. Accumulated draws on the line of credit totaled approximately \$3,600,000, which was repaid during in April 2016 leaving no outstanding balance as of December 31, 2016. The line was utilized similarly in 2015.

Note 9 – Contributed Support

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

	<u>2016</u>	<u>2015</u>
In-kind support	\$ 2,170,307	\$ 260,237
Operating bequests	1,264,073	-
Major gifts	1,262,649	1,537,722
Annual fund	718,058	586,522
Corporate sponsorships	601,376	590,367
Jungle Party, excluding ticket sales	600,899	667,844
Jungle Party fund-an-item	518,121	747,018
Thrive!, excluding ticket sales	147,198	186,275
ZooParent animal adoptions	35,896	35,704
On-grounds contributions	33,470	28,285
	<u>\$ 7,352,047</u>	<u>\$ 4,639,974</u>

Note 10 – Foundation Bequest

The Zoo Society is named as one of five beneficiaries in the Helen Mull Foundation, which was fully funded in February 2015 when Helen Mull passed away. In 2016 the Zoo Society received an annual distribution of \$225,028 from the Helen Mull Foundation, and the governing trust document provides for continuing annual payments equal to 1% of the net market value of the foundation’s assets as of the first business day of each year, continuing for 150 years. After 150 years of existence, (in the year 2165), the foundation shall be terminated and its remaining assets will be distributed to the five named organizations (assuming they remain qualified per the trust document). The Helen Mull Foundation’s investments were valued at over \$23 million at the end of 2016.

WOODLAND PARK ZOOLOGICAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 – Foundation Bequest (continued)

Helen Mull also created two smaller charitable remainder trusts benefitting specific individuals with annual 5% distributions. The residual values of those trusts will flow to the Helen Mull Foundation when the beneficiaries pass away.

During her lifetime, Helen Mull contributed annually to support the ongoing care of animals. Given that the Zoo Society doesn't have variance power over the funds in the Foundation, and the very long-term nature of the foundation and the contingency of meeting the trustee's requirements at the time of dissolution, the Zoo Society will be recording only the annual value of the calculated contributions received.

Note 11 – Events and Promotions

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

	<u>2016</u>	<u>2015</u>
ZooTunes, less direct cost of benefits provided to participants of \$1,031,315 and \$650,500.	\$ 853,037	\$ 653,052
WildLights	794,196	660,645
Fundraising events and promotions, less direct cost of benefits provided to participants of \$222,733 and \$204,456.	<u>180,990</u>	<u>203,406</u>
	<u>\$ 1,828,223</u>	<u>\$ 1,517,103</u>

Note 12 – 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

Note 12 – Long-Term Payable to City of Seattle (continued)

The principal payments are due as follows:

2017	\$ 46,200
2018	46,200
2019	46,200
2020	46,200
2021	46,200
Thereafter	<u>46,200</u>
	<u>\$ 277,200</u>

Note 13 – 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, 2016 and 2015, totaled \$723,348 and \$774,567, respectively. The Zoo Society also provides a non-qualified, non-matching, deferred compensation plan open to senior management. Deferred compensation plan assets of \$412,797 and \$385,133 are recorded in other assets on the consolidated statements of financial position as of December 31, 2016 and 2015, respectively.

Note 14 – Contributions Collected on Behalf of Other Organizations

During the years ended December 31, 2016 and 2015, the Zoo Society raised \$105,411 and \$88,963, 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 15 – Conditional Promises to Give

During the years ended December 31, 2016 and 2015, 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 \$253,000 and \$278,000 for 2016 and 2015, 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

Note 16 – Endowments

As of December 31, 2016, 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.

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; and

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 – Endowments (continued)

- 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 2016 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.

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.

WOODLAND PARK ZOOLOGICAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 – Endowments (continued)

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 \$247,509 and \$272,186 were disbursed for 2016 and 2015’s typical annual spending, respectively. 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 \$150,000 on elephant transport expenses in 2015 in accordance with the current special spending approval. In 2016, a special endowment withdrawal of \$160,709 reimbursed exhibit planning expenditures.

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, 2016 or 2015.

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,356,851	\$ 5,970,082	\$ 9,326,933
Board-designated endowment funds	<u>2,742,975</u>	<u>-</u>	<u>-</u>	<u>2,742,975</u>
Total funds	<u>\$ 2,742,975</u>	<u>\$ 3,356,851</u>	<u>\$ 5,970,082</u>	<u>\$ 12,069,908</u>

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 – Endowments (continued)

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,549,390	\$ 2,586,955	\$ 5,950,638	\$ 11,086,983
Investment return				
Investment income	74,144	327,199	-	401,343
Investment fees	(9,538)	(36,026)	-	(45,564)
Net appreciation (realized and unrealized)	137,320	690,788	-	828,108
Total investment return	201,926	981,960	-	1,183,886
Contributions	27,104	-	19,444	46,548
Appropriation of endowment assets for expenditure	(35,445)	(212,064)	-	(247,509)
Endowment net assets, end of year	<u>\$ 2,742,975</u>	<u>\$ 3,356,851</u>	<u>\$ 5,970,082</u>	<u>\$ 12,069,908</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,586,955	\$ 5,950,638	\$ 8,537,593
Board-designated endowment funds	2,549,390	-	-	2,549,390
Total funds	<u>\$ 2,549,390</u>	<u>\$ 2,586,955</u>	<u>\$ 5,950,638</u>	<u>\$ 11,086,983</u>

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

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

WOODLAND PARK ZOOLOGICAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 – 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 2016 and 2015 were \$888,086 and \$837,211, 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 2016 and 2015 totaled \$694,610 and \$612,493, respectively.

Note 18 – 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.

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.

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 – Fair Value Measurements (continued)

Fair value of assets measured on a recurring basis as of December 31, 2016 and 2015, are as follows:

	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of December 31, 2016				
Money market fund	\$ 96,634	\$ -	\$ -	\$ 96,634
Equity funds				
Large cap equity funds	2,826,817	-	-	2,826,817
Mid cap equity fund	1,335,170	-	-	1,335,170
Small cap equity funds	1,444,196	-	-	1,444,196
International equity funds	2,283,186	-	-	2,283,186
Total equity funds	7,889,369	-	-	7,889,369
Bond funds				
Domestic corporate bond funds	1,598,194	-	-	1,598,194
International bond funds	1,744,830	-	-	1,744,830
Total bond funds	3,343,024	-	-	3,343,024
Other				
Global real estate fund	583,520	-	-	583,520
Investments	11,912,547	-	-	11,912,547
Assets held in trust	-	-	-	-
Total assets shown at fair value	<u>\$ 11,912,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,912,547</u>

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 – 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, 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>

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

	Charitable Remainder Trust
Fair value as of December 31, 2014	\$ 185,525
Total gains or losses (realized and unrealized) included in change in net assets	<u>-</u>
Fair value as of December 31, 2015	185,525
Distribution during 2016	<u>(185,525)</u>
Fair value as of December 31, 2016	<u>\$ -</u>

WOODLAND PARK ZOOLOGICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 – Fair Value Measurements (continued)

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities, and services. There are no level 2 assets or liabilities recorded as of December 31, 2016 or 2015. 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.

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:

2017	\$ 35,201
2018	29,628
2019	28,746
2020	26,100
2021	26,100
Thereafter	<u>60,900</u>
	<u><u>\$ 206,675</u></u>

Rent expense for noncancelable and month-to-month leases during 2016 and 2015 was \$52,271 for both years.

Note 20 – City 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 a 2016 project listing totaling \$1,800,000 was attached. The annual process includes providing a new listing of annual projects, referred to as a Capital Asset Management Plan Project Listing, to the Parks Department. The annual spending budgets for the first five years of the park district were already identified in the original legislation. The annual budget amounts increase slightly by an inflation escalator each year.

WOODLAND PARK ZOOLOGICAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

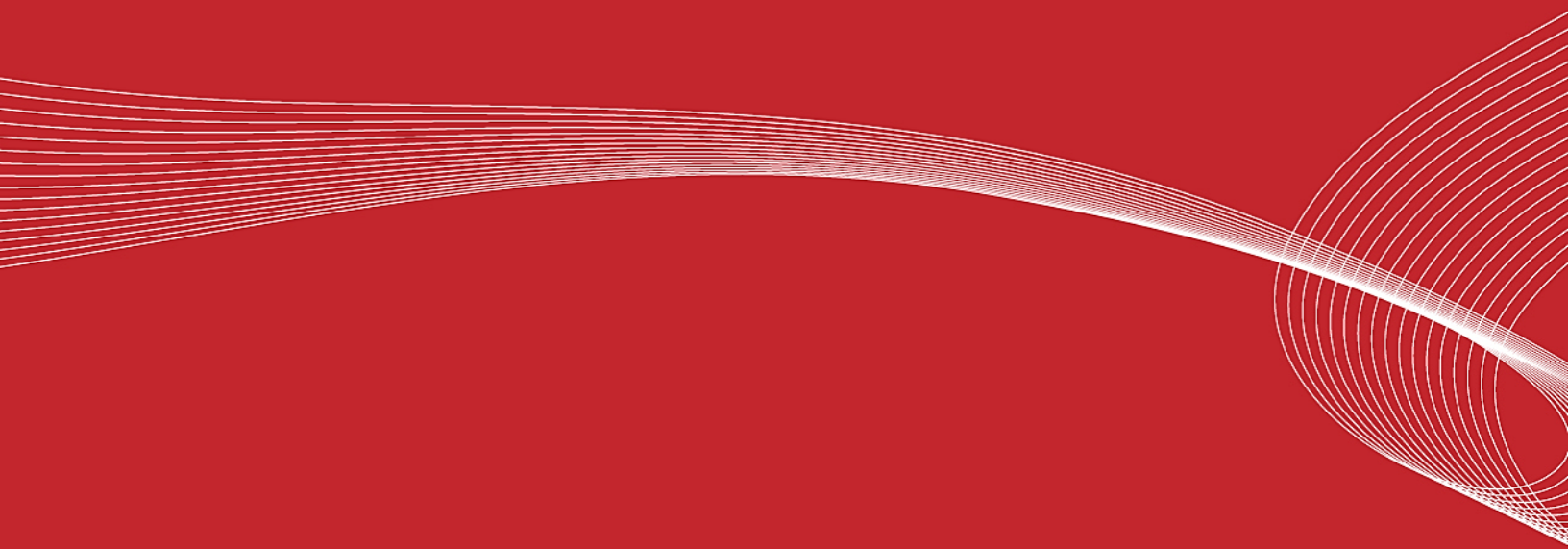
Note 20 – City Park District (continued)

In 2015, activities relating to this Park District funding were presented in the “Operating Activity” section of the Statement of Activities, but starting in 2016 these are presented as “Nonoperating Activity” due to the long-term nature of the improvements.

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 25, 2017, which is the date the consolidated financial statements were issued.



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