

NAPLES ZOO, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

**NAPLES ZOO, INC.
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YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Naples Zoo, Inc.
Naples, Florida

We have audited the accompanying financial statements of Naples Zoo, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Naples Zoo, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naples Zoo, Inc. as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
May 1, 2017

NAPLES ZOO, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 2,335,255	\$ 2,399,278
Accounts Receivable	46,639	43,977
Prepaid Expenses	101,058	91,453
Inventory	7,679	9,689
Deposits	7,006	7,407
Unconditional Promises to Give	1,735,734	1,907,568
Beneficial Interest in Trusts	3,477,460	3,235,662
Donated Use of Land	3,173,488	3,310,967
Property and Equipment, Net	5,792,351	5,262,356
Total Assets	\$ 16,676,670	\$ 16,268,357
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 453,159	\$ 411,203
Deferred Revenue	256,026	233,382
Capital Lease Obligations	10,644	15,129
Notes Payable	577,473	935,468
Total Liabilities	1,297,302	1,595,182
NET ASSETS		
Unrestricted	6,204,038	5,366,924
Temporarily Restricted	9,169,080	9,300,001
Permanently Restricted	6,250	6,250
Total Net Assets	15,379,368	14,673,175
Total Liabilities and Net Assets	\$ 16,676,670	\$ 16,268,357

See accompanying Notes to Financial Statements.

NAPLES ZOO, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Sales Revenue	\$ 4,069,177	\$ -	\$ -	\$ 4,069,177
Other Sales, Net	708,688	-	-	708,688
Membership Dues	510,783	-	-	510,783
Special Events, Net	56,948	-	-	56,948
Contributions and Other	343,933	379,698	-	723,631
Investment Income	4,855	-	-	4,855
Total Support and Revenues	<u>5,694,384</u>	<u>379,698</u>	<u>-</u>	<u>6,074,082</u>
Change in Value of Split-Interest Agreement	-	581,782	-	581,782
Net Assets Released from Restriction	<u>1,092,401</u>	<u>(1,092,401)</u>	<u>-</u>	<u>-</u>
Total Support, Revenues, and Other Support	<u>6,786,785</u>	<u>(130,921)</u>	<u>-</u>	<u>6,655,864</u>
EXPENSES				
Program Services	4,389,012	-	-	4,389,012
Management and General	1,418,754	-	-	1,418,754
Fundraising	141,905	-	-	141,905
Total Expenses	<u>5,949,671</u>	<u>-</u>	<u>-</u>	<u>5,949,671</u>
CHANGE IN NET ASSETS	837,114	(130,921)	-	706,193
Net Assets - Beginning of Year	<u>5,366,924</u>	<u>9,300,001</u>	<u>6,250</u>	<u>14,673,175</u>
NET ASSETS - END OF YEAR	<u><u>\$ 6,204,038</u></u>	<u><u>\$ 9,169,080</u></u>	<u><u>\$ 6,250</u></u>	<u><u>\$ 15,379,368</u></u>

See accompanying Notes to Financial Statements.

NAPLES ZOO, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Sales Revenue	\$ 3,865,632	\$ -	\$ -	\$ 3,865,632
Other Sales, Net	728,231	-	-	728,231
Membership Dues	464,516	-	-	464,516
Special Events, Net	51,986	-	-	51,986
Contributions and Other	856,604	2,359,006	1,000	3,216,610
Investment Loss	(8,645)	-	-	(8,645)
Total Support and Revenues	5,958,324	2,359,006	1,000	8,318,330
Change in Value of Split-Interest Agreement	-	(164,340)	-	(164,340)
Net Assets Released from Restriction	925,326	(925,326)	-	-
Total Support, Revenues, and Other Support	6,883,650	1,269,340	1,000	8,153,990
EXPENSES				
Program Services	3,973,418	-	-	3,973,418
Management and General	1,361,370	-	-	1,361,370
Fundraising	125,079	-	-	125,079
Total Expenses	5,459,867	-	-	5,459,867
CHANGE IN NET ASSETS	1,423,783	1,269,340	1,000	2,694,123
Net Assets - Beginning of Year	3,943,141	8,030,661	5,250	11,979,052
NET ASSETS - END OF YEAR	<u>\$ 5,366,924</u>	<u>\$ 9,300,001</u>	<u>\$ 6,250</u>	<u>\$ 14,673,175</u>

See accompanying Notes to Financial Statements.

NAPLES ZOO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Management and General	Fundraising	Total
Advertising and Promotion	\$ -	\$ 236,209	\$ -	\$ 236,209
Animal Care	191,559	-	-	191,559
Animal Purchases	475	-	-	475
Bank Fees (Credit Card Processing)	-	95,886	-	95,886
Conferences, Conventions, and Meetings	9,161	9,161	-	18,322
Depreciation	460,718	81,303	-	542,021
Dues and Subscriptions	28,965	5,111	-	34,076
Insurance	102,216	22,438	-	124,654
Interest	-	22,757	-	22,757
Office Expense	74,433	74,618	-	149,051
Other Employee Benefits	157,227	24,046	3,699	184,972
Other Expense	87,966	9,774	-	97,740
Pension Plan Contributions	-	73,171	-	73,171
Permits, Fines, and Licensing	35,312	3,924	-	39,236
Professional Fees	24,962	79,045	-	104,007
Rental Expense	147,930	26,105	-	174,035
Repairs and Maintenance	207,826	23,092	-	230,918
Salaries and Related Expenses	2,704,301	581,938	136,927	3,423,166
Travel	15,188	32,273	-	47,461
Utilities	108,698	17,903	1,279	127,880
Visitor Brochures/Site Map	10,891	-	-	10,891
Volunteer Expenses	21,184	-	-	21,184
	<u>\$ 4,389,012</u>	<u>\$ 1,418,754</u>	<u>\$ 141,905</u>	<u>\$ 5,949,671</u>

See accompanying Notes to Financial Statements.

NAPLES ZOO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015

	Program Services	Management and General	Fundraising	Total
Advertising and Promotion	\$ -	\$ 228,996	\$ -	\$ 228,996
Animal Care	175,714	-	-	175,714
Animal Purchases	500	-	-	500
Bank Fees (Credit Card Processing)	-	103,957	-	103,957
Conferences, Conventions, and Meetings	5,753	5,753	-	11,506
Depreciation	395,531	69,800	-	465,331
Dues and Subscriptions	29,487	5,204	-	34,691
Insurance	96,201	21,117	-	117,318
Interest	-	30,333	-	30,333
Office Expense	91,346	91,346	-	182,692
Other Employee Benefits	149,603	22,881	3,520	176,004
Other Expense	125,095	13,899	-	138,994
Pension Plan Contributions	-	81,843	-	81,843
Permits, Fines and Licensing	30,253	3,361	-	33,614
Professional Fees	25,894	81,996	-	107,890
Rental Expense	143,451	25,315	-	168,766
Repairs and Maintenance	176,091	19,566	-	195,657
Salaries and Related Expenses	2,376,118	511,316	120,310	3,007,744
Travel	12,805	27,212	-	40,017
Utilities	106,100	17,475	1,249	124,824
Visitor Brochures/Site Map	11,156	-	-	11,156
Volunteer Expenses	22,320	-	-	22,320
Total Expenses	\$ 3,973,418	\$ 1,361,370	\$ 125,079	\$ 5,459,867

See accompanying Notes to Financial Statements.

NAPLES ZOO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 706,193	\$ 2,694,123
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization of Donated Use of Land	137,479	137,478
Change in Value of Split-Interest Agreement	(581,782)	164,340
Contributed Securities	(275,410)	(438,948)
Contributions Restricted for Long-Term Purposes	(269,750)	(2,000,000)
Present Value Discount of Unconditional Promises to Give	(14,502)	6,600
Bad Debt Expense	-	7,000
Depreciation	542,021	465,331
Loss on Disposal of Equipment	(450)	360
(Increase) Decrease in:		
Accounts Receivable	(2,662)	(19,980)
Beneficial Interest in Trusts	339,984	353,303
Prepaid Expenses	(9,605)	7,544
Inventory	2,010	(480)
Deposits	401	(194)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	41,956	16,646
Deferred Revenue	22,644	37,743
Net Cash Provided by Operating Activities	638,527	1,430,866
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(102,173)	(203,206)
Increase in Construction in Process	(969,843)	(907,231)
Proceeds from Sale of Investments	275,410	438,948
Proceeds from Sale of Property and Equipment	450	-
Net Cash Used by Investing Activities	(796,156)	(671,489)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of Contributions Restricted for Long-Term Investment	456,086	227,293
Payments on Notes Payable	(357,995)	(350,520)
Payments on Capital Lease Obligation	(4,485)	(3,678)
Net Cash Provided (Used) by Financing Activities	93,606	(126,905)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(64,023)	632,472
Cash and Cash Equivalents - Beginning of Year	2,399,278	1,766,806
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,335,255	\$ 2,399,278
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Construction in Process Placed into Service	\$ 481,841	\$ 2,126,971
Cash Paid for Interest	\$ 22,757	\$ 30,333

See accompanying Notes to Financial Statements.

NAPLES ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Naples Zoo, Inc. (the Organization) was organized and incorporated in 2003 and granted status as a 501(c)(3) nonprofit organization in 2005. The primary focus of the Organization is to offer residents and visitors an educational and entertaining experience. The zoo offers unique venues to view and learn more about wildlife from around the world in a tropical garden setting.

The Organization fulfills its mission to delight guests with the natural world to inspire the preservation of our planet's remaining wild areas and their wondrous inhabitants through exhibits and membership in conservation groups. The Organization is a member of the Madagascar Fauna Group, Brazilian Ocelot Consortium, the Seafood Choice Program, and various other conservation projects in Africa and Asia.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned regardless of when received, and expenses when incurred regardless of when paid.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets. Unrestricted net assets are defined as assets that are free of donor-imposed restrictions, and include all interest income not subject to donor-imposed restrictions. Temporarily restricted net assets are net assets whose use has been limited by donor-imposed time or purpose restrictions. Permanently restricted net assets are net assets whose use is limited by the donor.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity, and resulting use of cash.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments with an initial maturity of less than three months to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank may exceed FDIC insurable limits.

Inventories

Inventory, consisting of animal food, is recorded at the lower of cost or market value using the first-in, first-out method of valuing inventory.

NAPLES ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Organization records equipment at cost when purchased, or at fair market value when donated. Donated assets 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 temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor use restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization capitalizes expenditures for personal property and betterments over \$1,000 and uses the straight-line method of depreciation calculated over the estimated useful lives of the assets, ranging from three to 30 years.

Collections

In accordance with customary practices among zoological organizations, animal and horticulture collections are recorded at the nominal amount of one dollar, as there is no objective basis for establishing value. Additionally, animal and horticulture collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impractical to assign value. Expenditures related to animal and horticulture acquisitions are expensed in the period of acquisition.

In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the Organization may, from time-to-time, share animals with other organizations. Consistent with industry practice, the Organization does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

Membership Dues

Revenue from membership dues is deferred over the term of the membership, typically one year. Members are billed throughout the year for annual dues. Membership dues unearned at the end of the year are classified as deferred revenue.

Contributions

Contributions are recognized as revenue when the donor makes the donation to the Organization. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Temporarily restricted contributions are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or use restriction. However, restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

NAPLES ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Contributed services are recognized only if services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing these skills, and would typically be purchased if not provided by donations. Contributed services meeting the requirement for recognition in the financial statements are recorded at the fair market value of professional services rendered. For the years ended September 30, 2016 and 2015, there were no donated services to the Organization.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in membership services, committee assignments, and fundraising, which do not meet the requirements for recognition in the financial statements. These individuals contributed approximately 24,000 volunteer hours to the Organization for each of the years ended September 30, 2016 and 2015. No amounts have been reflected in the financial statements, as these services do not meet the criteria for recognition.

Functional Expenses

The cost of providing program and support services has been summarized on a functional basis. The expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective (i.e., depreciation, personnel administration, and accounting). Indirect costs have been allocated to each program using a simplified allocation methodology.

Income Taxes

The Internal Revenue Service (IRS) has determined that the Organization is exempt from federal income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3). In addition, the Organization has been determined by the IRS not to be a private foundation within the meaning of Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization is in compliance with the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The implementation of this standard had no impact on the Organization's financial statements.

NAPLES ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market, income, and cost approaches to measure fair value.

In addition, the Organization follows the standard which allows the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Organization has not elected to measure any newly acquired financial instruments at fair value at September 30, 2016 and 2015.

Advertising

Expenses related to advertising and marketing are expensed as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 1, 2017, the date the financial statements were available to be issued.

NAPLES ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 2 UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give at September 30 consist of temporarily restricted promises to give as follows:

	2016	2015
Unconditional Promises to Give	\$ 1,811,219	\$ 1,997,555
Less: Discount to Net Present Value	(75,485)	(89,987)
Total	\$ 1,735,734	\$ 1,907,568

Unconditional promises to give are scheduled to be received as follows:

Within One Year	\$ 738,755
One to Five Years	1,072,464
Total	\$ 1,811,219

Unconditional promises to give are reflected at present value of estimated cash flows using discount rates of 1.4 – 2.2% at September 30, 2016 and 2015. Management has estimated there to be no allowance for doubtful accounts for 2016 and 2015.

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30 consists of the following:

	2016	2015
Buildings	\$ 1,360,331	\$ 1,239,335
Leasehold Improvements	3,151,028	3,097,119
Animal Exhibits	2,863,506	2,504,923
Furniture and Equipment	697,144	656,827
Automobiles and Boats	253,868	248,457
Construction in Process	817,282	329,281
Total	9,143,159	8,075,942
Less: Accumulated Depreciation	(3,350,808)	(2,813,586)
Total	\$ 5,792,351	\$ 5,262,356

NOTE 4 DEFERRED REVENUE

Deferred revenue at September 30, 2016 and 2015 totaling \$256,026 and \$233,382, respectively, consisted primarily of membership dues received, not yet earned.

NAPLES ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 5 DONATED USE OF LAND

In November 2009, the Organization entered into an agreement to lease land owned by Collier County, the use of which has been granted to the Organization for the term of 30 years at \$1 per year. As is required by accounting principles generally accepted in the United States of America, the Organization recognized the fair market value of the donated land, totaling \$4,124,379, as a temporarily restricted contribution during the year ended December 31, 2009. This contribution is recognized into unrestricted earnings evenly on an annual basis over the 30-year life of the lease. For the years ended September 30, 2016 and 2015, rent expense of \$137,478 related to this lease has been recognized and is included in rental expense in the statement of functional expenses.

NOTE 6 NOTES PAYABLE

The Organization had notes payable outstanding as of September 30:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Cost sharing agreement with the County, consisting of estimated annual principal payments of \$260,000, with no interest, and matures in 2017. See Note 14 for more detail.	\$ 260,000	\$ 520,000
Note payable to a third party corporation, secured by tangible personal property, with total monthly payments of interest and principal of \$10,000, with an annual interest rate of 4.0%, matures July 2019.	<u>320,936</u>	<u>425,812</u>
Subtotal	580,936	945,812
Unamortized Discount on Notes Payable	<u>(3,463)</u>	<u>(10,344)</u>
Total Notes Payable	<u><u>\$ 577,473</u></u>	<u><u>\$ 935,468</u></u>

Future principal maturities are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 369,149
2018	113,596
2019	98,191
Total	<u><u>\$ 580,936</u></u>

NAPLES ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 6 NOTES PAYABLE (CONTINUED)

The Organization has received a note payable that is interest free or has below market interest rates. In accordance with nonprofit accounting standards, at the inception of this note, interest was imputed using the market rate at that date and the corresponding discount and temporarily restricted contributions were recorded for the difference between the fair value of the loans at the market rates and the value of the loans at their stated rate. As the loan amortizes, interest expense is recognized by reducing the recorded discount, and a corresponding amount is recorded as released from the temporarily restricted net asset category. A present value discount of 1.35% is applied to below market rate loans.

NOTE 7 SPECIAL EVENT, NET

Special event revenue and expenses consist of the following for the years ended September 30:

	2016	2015
Zoobilee Revenues	\$ 189,279	\$ 194,731
Zoobilee Expenses	(130,728)	(100,257)
Other Events Revenues	60,485	3,132
Other Events Expenses	(62,088)	(45,620)
Total	\$ 56,948	\$ 51,986

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

As of September 30, the Organization had net assets temporarily restricted for the following purposes:

	2016	2015
Grants Restricted for Certain Purposes	\$ 73,161	\$ 41,942
Beneficial Interest in Trusts	3,477,460	3,235,662
Capital Campaign - Purpose Restriction	531,268	565,094
Capital Campaign - Unconditional Promises to Give	1,730,734	1,902,568
Donated Use of Property	3,173,488	3,310,967
Imputed Interest on Note Payable	3,463	10,344
Contributions Restricted for Exhibits	174,506	228,424
Unconditional Promises to Give	5,000	5,000
Total	\$ 9,169,080	\$ 9,300,001

NAPLES ZOO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 9 PROFIT SHARING AND 403(B) PLAN

The employees of the Organization are eligible to participate in a defined contribution profit sharing plan. The Organization makes annual voluntary contributions to the profit sharing plan. For the years ended September 30, 2016 and 2015, profit sharing expense was \$50,000 and \$65,000, respectively. In addition, matching contributions to the Organization's 403(b) retirement plan are made for eligible participants. The contribution formula matches the employee's contribution up to 100% of the first 1% of compensation and 25% of the next 4% of compensation such that if an employee defers 5% of pay, the employer match contribution will be 2% of eligible compensation. During the years ended September 30, 2016 and 2015, the Organization recorded matching contributions of \$23,171 and \$16,843, respectively.

NOTE 10 LINE OF CREDIT

As of September 30, 2016, the Organization had two lines of credit with financial institutions. The amount available under the first line of credit was \$200,000. The line of credit matures in October 2017. The amount available under the second line of credit was \$250,000. This line of credit matures in April 2018. For the years ended September 30, 2016 and 2015, there was no balance due on either line of credit.

NOTE 11 OTHER SALES

Other sales at September 30 are comprised of the following:

	2016	2015
Giraffe Feeding	\$ 183,030	\$ 220,460
Gift Store Commission	215,178	211,245
Concession Rental	152,387	145,778
Camel Ride	41,848	54,934
Other Sales	116,245	95,814
Total	<u>\$ 708,688</u>	<u>\$ 728,231</u>

NOTE 12 BENEFICIAL INTEREST IN TRUSTS

In 2011, the Organization was named as a beneficiary in three charitable lead trusts totaling \$6,000,000. The trusts shall distribute an amount equal to 5% of the net fair market value of the trust assets, each year. Distributions from the trusts during the years ended September 30, 2016 and 2015 totaled \$339,984 and \$353,303, respectively. The trusts are for periods of 15, 20, and 25 years. The Organization has recorded a beneficial interest in trusts at the anticipated cash flows as the future growth of the trusts is determined to be the same as discount rate. The beneficial interest in trusts at September 30, 2016 and 2015 was \$3,477,460 and \$3,235,662, respectively.

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NOTE 13 ENDOWMENT

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has an endowment fund (the Fund) which is donor-imposed permanently restricted with only the investment income available for operations. There is no board-designated endowment. The balance of the Fund at September 30, 2016 and 2015 was \$6,250.

Interpretation of Relevant Law

The board of trustees has interpreted the relevant law 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 Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets. The Organization considers all earnings on endowment funds to be appropriated and available for current year operations.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, as of September 30, 2016 and 2015, there were no deficiencies of this nature reported in unrestricted net assets.

Investment Policies

The Organization has established an investment policy to determine investment or reinvestment of the assets in accordance with such guidelines, policies, and procedures that are authorized by the board. These guidelines, policies, and procedures shall attempt to provide a predictable stream of funding to programs supported by the endowment funds.

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NOTE 13 ENDOWMENT (CONTINUED)

Endowment net asset composition by fund type as of September 30, 2016 and 2015 is as follows:

Endowment Net Assets - September 30, 2014	\$ 5,250
Investment Return:	
Investment Income	-
Contributions	1,000
Amounts Appropriated for Expenditures	-
Endowment Net Assets - September 30, 2015	6,250
Investment Return:	
Investment Income	-
Contributions	-
Amounts Appropriated for Expenditures	-
Endowment Net Assets - September 30, 2016	\$ 6,250

NOTE 14 COMMITMENTS

The Organization leases portable trailers for office space under noncancelable operating leases expiring in March 2019. One of these leases expired in September 2016, and is renewed on a monthly basis. Rental expense for the trailers was \$19,241 and \$18,860 for the years ended September 30, 2016 and 2015, respectively, and is included in rental expense in the statement of functional expenses.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 10,535
2018	8,780
2019	1,446
Total	\$ 20,761

The Organization entered into an agreement with Collier County (the County) and the Conservancy of Southwest Florida, Inc. (the Conservancy) for shared parking and access in June 2012. In exchange for the Conservancy's use of the parking area, the Conservancy will allow the Organization to access its entrance. The County has agreed to pay the costs for improving the property and the Organization has agreed to reimburse the County for 50% of the certified final construction costs. The Organization paid an initial payment of \$260,000 and must pay the County in four annual installments of \$260,000, which began in 2014, with final payment due in 2017. Total project costs were \$1,300,000 and were included in construction in process at September 30, 2014. The project has been completed and placed in service during 2015 and is included in leasehold improvements as of September 30, 2016 and 2015. The amount due to the County is included in notes payable (see Note 6). Once construction is completed, the Organization will amortize the final costs over the remaining lease term of its land lease as described in Note 5.

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NOTE 15 CAPITAL LEASE OBLIGATION

The Organization leases office equipment under long-term lease agreements. The leases are included in property and equipment, net, and are classified as capital leases which expire through 2020. Capitalized leased assets at September 30 are as follows:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 19,622	\$ 19,622
Less: Accumulated Amortization	(8,030)	(4,106)
Total	<u>\$ 11,592</u>	<u>\$ 15,516</u>

The amount of amortization expense on the equipment under the capital leases included in depreciation expense for the years ended September 30, 2016 and 2015 was \$3,924 and \$3,293, respectively. Interest expense incurred on the capital lease obligations during the years ended September 30, 2016 and 2015 totaled \$809 and \$846, respectively.

Future minimum lease payments at September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 4,473
2018	4,091
2019	2,674
2020	163
Less: Amounts Representing Interest	(757)
Total	<u>\$ 10,644</u>

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NOTE 16 FAIR VALUE

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of September 30:

	2016			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Trusts	\$ -	\$ -	\$ 3,477,460	\$ 3,477,460
	2015			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Trusts	\$ -	\$ -	\$ 3,235,662	\$ 3,235,662

The following represents a fair value roll forward of the beneficial interest in trusts measured at Level 3; refer to Note 1 – Summary of Significant Accounting Policies. The investment income and loss is reported in other income on the statement of activities and changes in net assets.

Level 3 Beneficial Interest in Trusts

Balance - September 30, 2014	\$ 3,753,305
Contributions	-
Purchases	-
Disbursements	(353,303)
Unrealized Appreciation	(164,340)
Balance - September 30, 2015	3,235,662
Contributions	-
Purchases	-
Disbursements	(339,984)
Unrealized Depreciation	581,782
Balance - September 30, 2016	\$ 3,477,460

Beneficial interest in trusts categorized at Level 3 are measured at fair value utilizing market prices at the close of business of the last day for the statement period, provided by investment advisors, multiplied by a 5% distribution rate, and then discounted at a rate of 6% over the remaining terms of the agreements.