

THE NORTH CAROLINA ZOOLOGICAL
SOCIETY, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

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STATE OF INCORPORATION

North Carolina

MAIN FACILITY

Asheboro, North Carolina

DIRECTORS

Robert L. Ange	Emily Ragsdale
Ethan Blumenthal	David K. Robb
William "Billy" Clarke	John L. Ruffin
William E. "Bill" Currens, Jr.	Barry C. Safrit
Howie Devane	Margery J. "Margie" Springer
Mike Fisher	S.M. "Monty" White, Jr.
Walker B. Moffitt	

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John L. Ruffin	Chair
William E. "Bill" Currens, Jr.	Treasurer
Cheryl C. Armstrong	Executive Director
D. Reid Wilson	Secretary N.C.D.N.C.R.
Jeff Michael	Deputy Secretary N.C.D.N.C.R.
Walker B. Moffitt	Park Council Chair

Independent Auditor's Report

To The Board of Directors
The North Carolina Zoological Society, Inc.
Asheboro, North Carolina

Opinion

We have audited the accompanying financial statements of The North Carolina Zoological Society, Inc. (a nonprofit organization) (the "Society"), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Zoological Society, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of The North Carolina Zoological Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The North Carolina Zoological Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules 1 through 9, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
May 8, 2023

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**Statements of Financial Position****December 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents - operating	\$ 2,745,862	\$ 3,125,657
Cash and cash equivalents - capital growth	18,929,983	13,326,824
Investments	18,475,905	22,450,888
Beneficial interest in trust	88,673	110,813
Pledges receivable, net of allowance and discount	5,878,029	3,593,444
Accounts receivable	39,020	26,533
Inventory	408,356	307,383
Prepaid expenses and other assets	97,108	66,522
Beneficial interest in charitable lead trust	603,654	686,231
Property and equipment, net of accumulated depreciation	4,233,272	4,072,927
Total assets	<u><u>\$ 51,499,862</u></u>	<u><u>\$ 47,767,222</u></u>
	<u>Liabilities and Net Assets</u>	
Liabilities:		
Accounts payable and accrued expenses	\$ 538,618	\$ 519,725
Liability under agency relationship	612,432	689,120
Liability under unitrust agreement	769,765	1,099,106
Deferred revenue (see Note 2 page 11)	2,674,754	2,636,336
Note payable	-	1,151,416
Total liabilities	<u><u>4,595,569</u></u>	<u><u>6,095,703</u></u>
Net Assets:		
Without donor restrictions:		
Board designated endowment funds	733,930	1,120,856
Board designated reserves	12,147,023	10,198,975
Undesignated	9,667,860	12,315,957
	<u>22,548,813</u>	<u>23,635,788</u>
With donor restrictions	24,355,480	18,035,731
Total net assets	<u><u>46,904,293</u></u>	<u><u>41,671,519</u></u>
Total liabilities and net assets	<u><u>\$ 51,499,862</u></u>	<u><u>\$ 47,767,222</u></u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues, and Reclassifications:						
Contributions, grants, and special projects	\$ 756,638	\$ 3,138,835	\$ 3,895,473	\$ 1,674,842	\$ 1,813,502	\$ 3,488,344
Capital campaign contributions	2,980,875	5,778,828	8,759,703	3,945,868	3,915,241	7,861,109
Membership dues	3,112,560	131,698	3,244,258	2,164,791	112,930	2,277,721
Gift shop revenues, net of total directs costs of \$2,438,191 (\$2,066,659 in 2021)	1,959,857	194,367	2,154,224	1,831,568	172,515	2,004,083
Employee retention credit	-	-	-	137,738	-	137,738
Investment return	(2,761,373)	(466,925)	(3,228,298)	1,818,072	320,088	2,138,160
Change in value of unitrust	-	(51,076)	(51,076)	-	1,996	1,996
Net assets release from restrictions:						
Satisfaction of purpose and time restrictions	2,405,978	(2,405,978)	-	1,007,929	(1,007,929)	-
Total public support, revenues, and reclassifications	8,454,535	6,319,749	14,774,284	12,580,808	5,328,343	17,909,151
Expenses:						
Program services:						
Program support (on behalf of NC Zoological Park)	6,694,631	-	6,694,631	5,201,632	-	5,201,632
Membership services	1,853,378	-	1,853,378	1,520,494	-	1,520,494
Special projects	117,355	-	117,355	190,153	-	190,153
Supporting services:						
Management and general	242,011	-	242,011	193,857	-	193,857
Special projects - other	149,103	-	149,103	109,536	-	109,536
Fund-raising	485,032	-	485,032	403,256	-	403,256
Total expenses	9,541,510	-	9,541,510	7,618,928	-	7,618,928
Changes in net assets	(1,086,975)	6,319,749	5,232,774	4,961,880	5,328,343	10,290,223
Net assets, beginning of year	23,635,788	18,035,731	41,671,519	18,673,908	12,707,388	31,381,296
Net assets, end of year	\$ 22,548,813	\$ 24,355,480	\$46,904,293	\$ 23,635,788	\$ 18,035,731	\$41,671,519

See Notes to Financial Statements

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Program Support	Membership Services	Special Projects		Management and General	Special Projects Other	Fund Raising		
Bank card fees	\$ -	\$ 38,856	\$ -	\$ 38,856	\$ -	\$ -	\$ 31,334	\$ 31,334	\$ 70,190
Computer support	-	60,905	-	60,905	4,730	-	14,191	18,921	79,826
Contributions on behalf of the NC Zoological Park	6,694,631	-	-	6,694,631	-	-	-	-	6,694,631
Depreciation	-	27,930	-	27,930	1,817	-	4,683	6,500	34,430
Donor cultivation and planned giving	-	11,074	-	11,074	-	-	10,933	10,933	22,007
Employee benefits and payroll taxes	-	222,661	-	222,661	22,328	-	63,490	85,818	308,479
Legal services and professional fees	-	257,943	159	258,102	22,980	-	118,974	141,954	400,056
Marketing and printing	-	215,629	3,130	218,759	3,358	26,015	6,662	36,035	254,794
New member solicitation/ membership incentives	-	37,696	-	37,696	-	-	-	-	37,696
Office supplies and other	-	79,354	12,756	92,110	26,385	72,653	22,456	121,494	213,604
Program and support expenses	-	-	72,948	72,948	-	42,089	-	42,089	115,037
Salaries and wages	-	872,904	-	872,904	155,158	-	202,479	357,637	1,230,541
Training, travel and professional development	-	9,936	3,918	13,854	1,316	7,013	4,085	12,414	26,268
Utilities and maintenance	-	18,490	24,444	42,934	3,939	1,333	5,745	11,017	53,951
Total Expenses	<u>\$ 6,694,631</u>	<u>\$ 1,853,378</u>	<u>\$ 117,355</u>	<u>\$ 8,665,364</u>	<u>\$ 242,011</u>	<u>\$ 149,103</u>	<u>\$ 485,032</u>	<u>\$ 876,146</u>	<u>\$ 9,541,510</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Program Support	Membership Services	Special Projects		Management and General	Special Projects Other	Fund Raising		
Bank card fees	\$ -	\$ 28,349	\$ -	\$ 28,349	\$ -	\$ -	\$ 28,887	\$ 28,887	\$ 57,236
Computer support	-	67,126	469	67,595	5,291	-	15,193	20,484	88,079
Contributions on behalf of the NC Zoological Park	5,201,632	-	-	5,201,632	-	-	-	-	5,201,632
Depreciation	-	25,904	-	25,904	2,247	-	4,914	7,161	33,065
Donor cultivation and planned giving	-	6,292	-	6,292	-	407	11,038	11,445	17,737
Employee benefits and payroll taxes	-	213,126	1,333	214,459	24,936	-	56,226	81,162	295,621
Legal services and professional fees	-	197,572	-	197,572	22,564	-	70,996	93,560	291,132
Marketing and printing	-	138,395	4,801	143,196	1,345	9,410	5,751	16,506	159,702
New member solicitation/ membership incentives	-	674	265	939	-	-	151	151	1,090
Office supplies and other	-	106,754	126,855	233,609	11,310	78,979	29,909	120,198	353,807
Program and support expenses	-	-	11,980	11,980	-	18,024	-	18,024	30,004
Salaries and wages	-	710,436	18,947	729,383	120,167	-	169,890	290,057	1,019,440
Training, travel and professional development	-	5,382	12,243	17,625	1,960	1,912	3,464	7,336	24,961
Utilities and maintenance	-	20,484	13,260	33,744	4,037	804	6,837	11,678	45,422
Total Expenses	<u>\$ 5,201,632</u>	<u>\$ 1,520,494</u>	<u>\$ 190,153</u>	<u>\$ 6,912,279</u>	<u>\$ 193,857</u>	<u>\$ 109,536</u>	<u>\$ 403,256</u>	<u>\$ 706,649</u>	<u>\$ 7,618,928</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**Statements of Cash Flows****Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 5,232,774	\$ 10,290,223
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	95,998	100,368
Loss on disposal of land	-	47
Forgiveness of paycheck protection program loan	-	(610,906)
Unrealized (gain) loss on investments	3,542,737	(1,731,446)
Dividends reinvested	362,256	237,518
(Increase) decrease in:		
Accounts receivable	(12,487)	31,131
Pledges receivable	(2,284,585)	(763,577)
Inventory	(100,973)	301,814
Prepaid expense and other assets	(30,586)	(23,916)
Beneficial interest in trust and charitable lead trust	104,717	71,708
Increase (decrease) in:		
Accounts payable and accrued expenses	18,893	54,786
Deferred revenue	38,418	764,633
Liability under unitrust agreement	(329,341)	8,916
Liability under agency relationship	(76,688)	(278,312)
Net cash provided by operating activities	<u>6,561,133</u>	<u>8,452,987</u>
Cash flows from investing activities:		
Purchase of property and equipment	(256,343)	(159,013)
Net (increase) decrease in investments	69,990	(709,066)
Net cash used in investing activities	<u>(186,353)</u>	<u>(868,079)</u>
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	-	344,306
Payments on note payable	(1,151,416)	(165,568)
Net cash provided by (used in) financing activities	<u>(1,151,416)</u>	<u>178,738</u>
Increase in cash and cash equivalents	5,223,364	7,763,646
Cash and cash equivalents - beginning	<u>16,452,481</u>	<u>8,688,835</u>
Cash and cash equivalents - ending	<u><u>\$ 21,675,845</u></u>	<u><u>\$ 16,452,481</u></u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u><u>\$ 26,063</u></u>	<u><u>\$ 21,647</u></u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 1 - NATURE OF BUSINESS

The North Carolina Zoological Society, Inc. (the “Society”) encourages public support primarily for the North Carolina Zoological Park (the “Park”), a state operated facility, and promotes related educational, scientific, and conservation activities. The Society is supported primarily through memberships and donor contributions. Gift shop revenue is one of the means of raising support and it has an agreement whereby all net proceeds are transferred to the Park as a part of Program Support.

The Society has a strategic capital growth plan (the plan) which will provide funding to bring the wildlife of a third continent, Asia, to the North Carolina Zoo. This plan also incorporates future expansion to include Australia and the Amazon. Asia is part of the Zoo’s masterplan to showcase wildlife from around the world in settings that mimic their natural habitats. As the Society was in the quiet phase of the campaign, no contracts or construction commitments were in place as of December 31, 2022. The anticipated opening of Asia is scheduled for spring of 2026.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Program Support

Program Support includes capital projects, field conservation and animal welfare programs, animal and horticultural purchases and general operational needs.

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

As required by the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), the Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions: All revenue not restricted by donors, unrestricted contributions designated by the board and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions: All revenues restricted by donors as to either timing or purpose of the related expenditures are required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Those resources for which the restrictions are met in the same calendar year they are received are included in net assets without donor restrictions.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restriction. When a restriction expires, the net assets are reclassified to net assets without donor restrictions.

The Society uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises to give.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Society carries investments at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities and changes in net assets.

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Inventories consist of items available for sale in the Society's gift shops.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. The Society capitalizes all property and equipment items costing over \$500. If the donor stipulates how long the asset must be used, the contributions are recorded with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	15 years
Buildings and improvements	10-40 years
Furniture and equipment	5-10 years
Automobiles	5-10 years
Leasehold improvements	5-10 years

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Donated Materials, Services and Facilities

Donated materials, specialized services and facilities received by the Society are reflected as both contributions and expenses in the accompanying statements at their estimated fair market value at the time of receipt.

The Park provides office and gift shop facilities (Earth Explorer, Junction, and Safari) for the Society at no charge. For the years ended December 31, 2022 and 2021, in-kind support in the amount of \$64,880 was recognized in the statements of activities and changes in net assets for the use of these facilities.

Income Tax Status

The Society is a not-for-profit organization other than a private foundation that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Society received an original tax determination letter dated March 30, 1971 and an updated letter dated March 21, 2008. Accordingly, the accompanying financial statements do not include a provision for income taxes.

The Society evaluates all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2022 and 2021.

Fair Value Measurements

The Fair Value Measurement and Disclosure Topic of the FASB ASC, defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Money Market Funds: These investments are public investment vehicles valued using \$1 for the Net Asset Value (“NAV”). The money market funds are classified within Level 2 of the valuation hierarchy.

Domestic and International Equities: These investments are valued at the closing price reported on the New York Stock Exchange Composite Listing and are classified within Level 1 of the valuation hierarchy.

Real Asset Funds: Consists of mutual funds invested in real estate and natural resources listed on national markets or exchanges and are valued at the last sales price, or if there is no sale and the market is considered active, then at the mean of the last bid and asked prices on such exchange and are classified within Level 1 of the valuation hierarchy.

Fixed Income - Bonds: These investments are priced daily via listed exchanges and are classified within Level 2 of the valuation hierarchy.

Fixed Income - Mutual Funds: These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

Beneficial Interest In Trust: These investments are priced daily via listed exchanges and are classified within Level 3 of the valuation hierarchy.

Revenue Recognition

The Society has two main revenue streams that are considered exchange transactions: (1) membership revenue and (2) gift shop sales. For membership revenue, revenues are recognized equally over the period of the membership. Memberships are effective the first of the month after purchase and are for 12 months, 24 months, or a lifetime. Lifetime memberships are recognized over the estimated average remaining lives of members. Gift Shop sales are a point in time transaction, and revenue is recognized when the control of the product is transferred to the customer.

The following table disaggregates the Society's revenue based on the timing of satisfaction of performance obligations as follows:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 4,592,415	\$ 4,070,742
Performance obligations satisfied over time	3,244,258	2,277,721
Total sales	<u>\$ 7,836,673</u>	<u>\$ 6,348,463</u>

Functional Allocation of Expenses

The costs of programs and supporting services are reported on a functional basis in the statements of activities and changes in net assets. This requires the allocation of indirect costs among the various programs and supporting services based on estimates made by management.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Notes to Financial Statements
For Years Ended December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through May 8, 2023, which is the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 21,675,845	\$ 16,452,481
Investments	13,156,237	15,905,025
Endowment investments	4,356,393	5,201,457
Investments held in a Charitable Trust	963,275	1,344,406
Pledges receivable, due within one year	2,266,827	1,163,842
Accounts receivable, due within one year	39,020	26,533
Total financial assets	<u>42,457,597</u>	<u>40,093,744</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time, purpose or permanent endowment	(24,355,480)	(18,035,731)
Liability under unitrust agreement	(769,765)	(1,099,106)
Board designations:		
Quasi-endowment fund	(733,930)	(1,120,856)
Amounts committed to Park support <i>(see Note 13 for detail)</i>	(9,586,291)	(7,942,489)
Amounts set aside for debt retirement	<u>-</u>	<u>(1,151,416)</u>
Financial assets available for general expenditures within one year	<u>\$ 7,012,131</u>	<u>\$ 10,744,146</u>

As part of the Society's liquidity management plan, it structures its financial assets to be available as its obligations come due. There are established designated funds that the Society does not intend to spend on operations, however, these amounts could be made available if necessary.

The Society receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs.

In addition, the Society receives support without donor restrictions; such support has historically represented approximately 90% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions. General expenditures include administrative and general expenses, fundraising expenses and program support expenses expected to be paid in the subsequent year.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.**Notes to Financial Statements****For Years Ended December 31, 2022 and 2021**

NOTE 4 - DEPOSITS

The Society places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2022 for certain qualifying and participating non- interest bearing transaction accounts.

A portion of the funds held by one institution that are in excess of the FDIC coverage are collateralized with securities acceptable to the Office of the Comptroller of the Currency. The Society from time to time may have amounts on deposit in excess of the insured or collateralized limits. As of December 31, 2022 and 2021, the Society had \$3,920,639 and \$14,939,354 respectively, which exceeded these insured or collateralized amounts.

NOTE 5 - INVESTMENTS

The Society's investments consisted of the following, which were recorded at fair market value:

	December 31, 2022		
	Cost	Cumulative Unrealized Gain (Loss)	Fair Market Value
General:			
U.S. Government obligations	\$ 806,568	\$ (95,480)	\$ 711,088
Marketable corporate securities	4,646,180	(209,476)	4,436,704
Real asset funds	183,235	64,806	248,041
Stock and bond mutual funds	8,000,782	(240,378)	7,760,404
	13,636,765	(480,528)	13,156,237
Investments held in trust:			
Money market funds	8,091	-	8,091
Marketable corporate securities	708,280	(49,563)	658,717
Stock and bond mutual funds	340,597	(44,130)	296,467
	1,056,968	(93,693)	963,275
Endowments:			
U.S. Government obligations	110,346	(7,371)	102,975
Money market funds	295,446	-	295,446
Marketable corporate securities	709,462	(23,882)	685,580
Real asset funds	107,614	38,061	145,675
Stock and bond mutual funds	3,130,789	(4,072)	3,126,717
	4,353,657	2,736	4,356,393
	\$ 19,047,390	\$ (571,485)	\$ 18,475,905

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 5 - INVESTMENTS (Continued)

	December 31, 2021		
	Cost	Cumulative Unrealized Gain (Loss)	Fair Market Value
General:			
U.S. Government obligations	\$ 823,042	\$ (23,999)	\$ 799,043
Marketable corporate securities	1,674,272	131,157	1,805,429
Real asset funds	183,235	53,655	236,890
Stock and bond mutual funds	11,640,913	1,422,750	13,063,663
	14,321,462	1,583,563	15,905,025
Investments held in trust:			
Money market funds	149,203	-	149,203
Marketable corporate securities	761,776	73,359	835,135
Stock and bond mutual funds	327,393	32,675	360,068
	1,238,372	106,034	1,344,406
Endowments:			
U.S. Government obligations	101,754	3,105	104,859
Money market funds	222,083	-	222,083
Marketable corporate securities	257,602	25,324	282,926
Real asset funds	107,614	31,512	139,126
Stock and bond mutual funds	3,699,779	752,684	4,452,463
	4,388,832	812,625	5,201,457
	\$ 19,948,666	\$ 2,502,222	\$ 22,450,888

The following schedule summarizes the investment return and its classification in the statement of activities and changes in net assets for the year ended December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 452,403	\$ 52,227	\$ 504,630
Net unrealized and realized gains	(3,213,776)	(519,152)	(3,732,928)
Investment return	\$ (2,761,373)	\$ (466,925)	\$ (3,228,298)
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 237,016	\$ 47,049	\$ 284,065
Net unrealized and realized gains	1,586,010	268,085	1,854,095
Investment return	\$ 1,823,026	\$ 315,134	\$ 2,138,160

See “Fair Value Measurement” in Note 2 above for discussions of the methodologies and assumptions used to determine the fair value of the Society’s investments.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 5 - INVESTMENTS (Continued)

Below are the Society's financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels described in Note 2.

	2022			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	\$ -	\$ 17,535,418	\$ -	\$ 17,535,418
Domestic and international equities	10,924,748	-	-	10,924,748
Real asset funds	393,716	-	-	393,716
Fixed income - bonds	-	814,063	-	814,063
Fixed income - mutual funds	6,039,841	-	-	6,039,841
Beneficial interest in trust	-	-	88,673	88,673
	<u>\$17,358,305</u>	<u>\$ 18,349,481</u>	<u>\$ 88,673</u>	<u>\$ 35,796,459</u>
	2021			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	\$ -	\$ 1,200,837	\$ -	\$ 1,200,837
Domestic and international equities	18,475,798	-	-	18,475,798
Real asset funds	376,016	-	-	376,016
Fixed income - bonds	-	1,845,735	-	1,845,735
Fixed income - mutual funds	1,381,253	-	-	1,381,253
Beneficial interest in trust	-	-	110,813	110,813
	<u>\$20,233,067</u>	<u>\$ 3,046,572</u>	<u>\$ 110,813</u>	<u>\$ 23,390,452</u>

The changes in the beneficial interest in trust in Note 6 presents a reconciliation of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2022 and 2021. During the years ended December 31, 2022 and 2021, there were no significant transfers between levels. All assets have been valued using a market approach. There were no changes in the valuation techniques during the current or prior year.

Reconciliation of fair value of investments to the Statements of Financial Position:

	2022	2021
Beneficial interest in trust	\$ 88,673	\$ 110,813
Included in cash and cash equivalents	17,231,881	828,751
Investments	18,475,905	22,450,888
Total fair value of investments	<u>\$ 35,796,459</u>	<u>\$ 23,390,452</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 6 - BENEFICIAL INTEREST IN TRUST

The beneficial interest in trust is held at the Foundation for the Carolinas (“Foundation”) and is invested in pooled funds of approximately 62% U.S. and international equities, approximately 25% fixed income, and 13% other assets. The Foundation investment pool offers broad domestic, international and emerging market exposure via large cap and small cap securities with a modest allocation to fixed income.

Management of the Society receives the estimate of fair value of these investments from the Foundation and relies on various factors, processes and procedures to determine if the estimate of value is reasonable. However, information used by the Foundation and by management is subject to change in the near term, and, accordingly, investment values and performance can be affected.

The fair value and changes in the beneficial interest in trust (Level 3) was as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Beginning fair value	\$ 110,813	\$ 102,992
Net investment return	(16,340)	13,480
Fees	(1,500)	(1,500)
Distributions	(4,300)	(4,159)
Ending fair value	<u>\$ 88,673</u>	<u>\$ 110,813</u>

NOTE 7 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Membership pledges	\$ 80,206	\$ 76,174
Other pledges	6,033,473	3,608,389
Gross pledges receivable	<u>6,113,679</u>	<u>3,684,563</u>
Less discount to net present value	(209,650)	(52,119)
Less allowance for uncollectible contributions	(26,000)	(39,000)
Net pledges receivable	<u>\$ 5,878,029</u>	<u>\$ 3,593,444</u>
Amounts due in:		
Less than one year	\$ 2,266,827	\$ 1,163,842
One to five years	3,746,852	2,311,168
Greater than five years	100,000	209,553
	<u>\$ 6,113,679</u>	<u>\$ 3,684,563</u>

Pledges receivable that are due beyond one year are discounted to their estimated net present value. The discount rate is selected at the inception of the pledge receivable and based on a rate of return for risk-free investments covering a similar period of time. The discount rates was 3% and 1% for the years ending December 31, 2022 and 2021, respectively.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 8 - SPLIT INTEREST AGREEMENTS

Charitable Remainder Trust - Society as Trustee

The Society administers, as trustee, a charitable remainder trust established during 2004. The charitable remainder trust provides for the payment of distributions to the grantor over the donor's life expectancy, which is the trust's term. At the end of the trust's term, the remaining assets are available for the Society's use. The portion of the trust attributable to the present value of the future benefits to be received by the Society is recorded in the statements of activities and changes in net assets as a temporarily restricted contributions in the period that the trust is established or when additional gifts are made by the donors. Assets held in the charitable remainder trust totaled \$964,808 and \$1,345,205 at December 31, 2022 and 2021, respectively, and were reported at fair market value in the Society's statements of financial position. On an annual basis, the Society revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The agreement provides for distributions to the grantors of an amount equal to 8% of the net fair market value of the trust assets valued at the beginning of each taxable year. The present value of the estimated future payments (\$769,765 and \$1,099,106 at December 31, 2022 and 2021, respectively) is calculated using a discount rate of 5% and applicable mortality tables. There were no gifts to the trust during 2022 and 2021.

Charitable Lead Trust

During 2009, a donor established a trust with a bank naming the Society as the lead beneficiary of a charitable lead trust for the ultimate benefit of Sylvan Heights Waterfowl Park and Eco-Center, Inc. ("Sylvan Heights") thus establishing an agency relationship. Under terms of the split-interest agreement, the Society is to receive an annual distribution of \$110,327 for its restricted use for a period of twenty years. At the end of the trust's term, the remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which the Society has estimated based on the present value of its expected future cash inflows. Based on the terms of the agreement and a 4% discount rate, the fair value of the Society's interest in the trust is recorded as a liability under agency relationship and as a receivable - beneficial interest in charitable lead trust. The Society received \$110,327 from the trust in 2022 and 2021, which were recorded as reductions in the receivable and liability under an agency relationship. On an annual basis, the Society revalues the contribution receivable equal to the interest portion of the annual distribution. The change in the value of the split-interest agreement is recorded as an increase in its beneficial interest in the trust and liability under an agency relationship. The amounts were \$27,750 and \$30,798 in 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Beneficial interest in charitable lead trust:		
Beginning of year	\$ 686,231	\$ 765,760
Change in value	27,750	30,798
Payment from charitable lead trust	(110,327)	(110,327)
End of year	<u>\$ 603,654</u>	<u>\$ 686,231</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Notes to Financial Statements
For Years Ended December 31, 2022 and 2021

NOTE 8 - SPLIT INTEREST AGREEMENTS (Continued)

Charitable Remainder Trust - Other

The Society was notified in prior years that two trusts named the Society as a beneficiary of charitable remainder trusts established by donors. A charitable remainder trust provides for the payment of distributions to the grantor over the donor's life expectancy, which is the trust's term. At the end of the trust's term, the remaining assets will be distributed for the Society's use. A portion of the trust attributed to the present value of the future benefits to be received by the Society is recorded in the statements of activities and changes in net assets as a temporarily restricted contribution and in the statements of financial position as a contribution receivable from the charitable remainder trust. The present value of the estimated future payment was calculated using a discount rate of 5% for the trust recorded in 2006 and 2% for the trust recorded in 2010. The Society has recognized \$56,975 as its interest in these two unitrusts through December 31, 2022.

NOTE 9 - PROPERTY AND EQUIPMENT

A summary of property and equipment was as follows:

	<u>2022</u>	<u>2021</u>
Land improvements	\$ 6,314	\$ 6,314
Land	2,830,334	2,736,335
Buildings and improvements	1,891,301	1,835,823
Fixtures and equipment - gift shops	110,842	111,902
Furniture and equipment - office	230,177	230,854
Automobiles	226,264	192,247
Leasehold improvements	120,903	120,903
	<u>5,416,135</u>	<u>5,234,378</u>
Less accumulated depreciation	1,182,863	1,161,451
	<u><u>\$ 4,233,272</u></u>	<u><u>\$ 4,072,927</u></u>

NOTE 10 - NOTE PAYABLE AND LINE OF CREDIT

Note payable consisted of the following:

	<u>2022</u>	<u>2021</u>
The Promissory note dated November 12, 2019 with original principal of \$1,581,123 was paid in full as of December 31, 2022. The note was payable in monthly payments of \$15,482 with all principal and unpaid accrued interest due November 5, 2029. The interest rate was the LIBOR rate plus 1.5%. The loan was collateralized by investments held in an account at the same financial institution.	<u><u>\$ -</u></u>	<u><u>\$ 1,151,416</u></u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Notes to Financial Statements
For Years Ended December 31, 2022 and 2021

NOTE 10 - NOTE PAYABLE AND LINE OF CREDIT (Continued)

The Society also has a line of credit with a credit limit up to \$5,000,000, and an interest rate of LIBOR plus 1.5%. The line of credit matures on May 9, 2024, and the collateral is the investments held at Truist and Wells Fargo. The line of credit balance at December 31, 2022 is \$0.

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are available for use by the Society at the discretion of the Board of Directors. The Society’s policy is to report revenues, gains, and other support that are limited to specific uses by donor-imposed restrictions as increases in net assets without donor restrictions when the restrictions are met in the same reporting period as the income recognized.

For internal management and recordkeeping, the Society classifies net assets without donor restrictions as follows:

- Board designated endowment funds – Board designated funds that generate income for ongoing Park support while keeping the principal investment intact.
- Board designated reserves – Reserves set aside by the Board for the Zoo’s current and future needs which are reviewed annually. See Note 13 for details of Board-designated reserves.
- Undesignated – Funds for ongoing operational support, provided by members and donors, which give the Society the flexibility to respond quickly to emerging needs and shifting priorities.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Time Restrictions – Certain restricted support consists of contributions to be received in the future from trust arrangements which carry an implied time restriction. Amounts which have not been expended at year end remain classified as net assets with donor restrictions.

Purpose Restrictions – Restricted support consists of contributions and proceeds of special projects, which are specified by donors for particular purposes.

Permanent Endowment Restrictions – Net assets with donor restrictions also consist of endowment fund investments to be held indefinitely. The income from certain endowments is restricted to support conservation and zoological programs while others are without restrictions.

Net assets with restrictions are comprised of:

<u>Time Restrictions</u>	<u>2022</u>	<u>2021</u>
Graham charitable remainder trust	\$ 193,749	\$ 244,824
Haggard charitable remainder trust	28,858	29,453
Peters charitable remainder trust	28,117	28,117
	<u>250,724</u>	<u>302,394</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Notes to Financial Statements
For Years Ended December 31, 2022 and 2021

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with restrictions are comprised of:

	<u>2022</u>	<u>2021</u>
<u>Purpose Restrictions</u>		
Animal welfare and initiatives	\$ 1,189,165	\$ 394,365
Conservation programs and initiatives	1,577,082	1,474,050
COVID-19	316	473,946
Design programs and initiatives	82,187	118,536
Education programs and initiatives	922,565	309,395
Horticulture programs and initiatives	58,607	38,435
Planning and facilities	1,260,310	1,001,613
Planning and facilities - Capital Growth	13,597,325	8,455,012
Undistributed endowment gains	171,014	454,931
Veterinary programs and initiatives	1,601,819	1,756,767
Zoo visitor growth and awareness	3,667	46,232
	<u>20,464,057</u>	<u>14,523,282</u>

Permanent Endowment Restrictions

Bryan Family Foundation Endowment - gains and losses on investments remain with principal; investment income is restricted for conservation projects. Invested with a bank trust department.	\$ 75,509	\$ 95,318
Chadwell Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,000	1,000
Cato-Goodyear Endowment - All income including gains and losses on long-term investments are restricted for animal environmental and behavioral projects. Invested with a bank trust department.	11,167	11,167
Conservation Endowment - Gains and losses on investments remain with principal; investment income is restricted for conservation projects. Invested with a bank trust department.	119,193	154,848
Jane Craig Hanes Endowment - Gains and losses on investments remain with principal; investment income is restricted for projects. Invested with a bank trust department.	908,846	1,146,939
Jason Zwerin Endowment - All income including gains and losses on long-term investments are restricted for animal related projects. Invested with the Foundation for the Carolinas.	18,075	18,075
Layne Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,000	1,000

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Notes to Financial Statements
For Years Ended December 31, 2022 and 2021

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2022</u>	<u>2021</u>
<u>Permanent Endowment Restrictions (Continued)</u>		
Nina Belle Redditt Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	\$ 210,846	\$ 210,846
Sloan Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,270,063	1,270,063
Warner Atkins Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with the Foundation for the Carolinas.	25,000	25,000
Capital Growth Endowment - All income including gains and losses on long-term investments are unrestricted. Invested with a bank trust department.	1,000,000	275,799
Total permanent endowment restrictions	<u>3,640,699</u>	<u>3,210,055</u>
Total net assets with donor restrictions	<u>\$ 24,355,480</u>	<u>\$ 18,035,731</u>

NOTE 13 - BOARD - DESIGNATED RESERVES - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are not subject to donor-imposed restrictions. The Board designated reserves are based on the current needs of the Park. The Society's Board has designated some of these net assets without donor restrictions for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Animal welfare and enrichment	\$ 42,933	\$ 85,381
Conservation programs and initiatives	306,735	417,949
Design programs and initiatives	15,754	22,883
Education programs and initiatives	177,806	161,293
Emergency reserve	1,360,407	1,457,884
Operations	668,640	401,018
Horticulture programs and initiatives	12,033	46,635
Planning and facilities	9,132,802	6,533,082
Professional services	353,879	236,291
Veterinary programs and initiatives	844	91,198
Zoo visitor growth and awareness	-	212,779
Zoo personnel, supplements, travel, and training	75,190	532,582
	<u>\$ 12,147,023</u>	<u>\$ 10,198,975</u>

See Schedule 10 for additional detail of Board Designated Reserves.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 13 - BOARD - DESIGNATED RESERVES - NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)

The Emergency Reserve \$1,360,407 and Professional Services \$353,879, were received from donors without any restrictions. These funds have been designated by the Board for future programs, the Park, purchase/construction of fixed assets or other uses. The Board does not intend to spend these designated funds for operations of the Society; however, the remaining balance of the uncommitted funds could be made available if the Board deems necessary.

NOTE 14 - IN-KIND DONATED MATERIALS, SERVICES, AND FACILITIES

The value of in-kind donated materials, services, and facilities included in the financial statements was as follows:

	<u>2022</u>	<u>2021</u>
Program support (<i>Amazon wish list, marketing, events, art supplies</i>)	\$ 32,374	\$ 31,788
Utilized by the Society:		
Management and general (<i>Corporate memberships, printing, and office space</i>)	72,774	74,380
	<u>\$ 105,148</u>	<u>\$ 106,168</u>

NOTE 15 - RETIREMENT PLAN

The Society participates in a Defined Contribution Pension Plan administered by Ascensus. Employees who work 1,000 hours or more in a year and over the age of 21 are eligible to participate. The Plan provides for a discretionary match, as well as a 50% match on employee contributions up to 6% of their salary. The Society, during 2022 and 2021, contributed 5% of eligible employees' compensation to the Plan. Participants are fully vested after 6 years of service. Forfeitures are used to reduce employer contributions. Loans are permitted. The cost of the Plan for 2022 and 2021 was \$107,156 and \$99,900, respectively.

NOTE 16 - RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued expenses as of December 31, 2022 and 2021 were \$104,461 and \$108,329 due to the North Carolina Zoological Park.

Included in pledge receivables as of December 31, 2022 and 2021 were \$108,000 and \$123,000 due from board members of the Society.

NOTE 17 - ENDOWMENT FUNDS

The Society's endowments consist of 13 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with the 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 NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Notes to Financial Statements

For Years Ended December 31, 2022 and 2021

NOTE 17 - ENDOWMENT FUNDS (Continued)

Interpretation of relevant law

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) 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 Society classifies as net assets with donor restrictions (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 permanently restricted, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

Return objectives, risk parameters and strategies

The Society has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy

The Society follows policies established with the donor in calculating the annual distribution. In establishing these policies, the Society takes into consideration the donor’s expectations for the long-term return on the investment assets, the nature and duration of the endowment funds, and the possible effects of inflation. This is consistent with the Society’s objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Board-designated endowment funds	\$ 733,930	\$ 1,120,856
Donor-restricted endowment funds	6,918,070	6,697,282
Total funds	<u>\$ 7,652,000</u>	<u>\$ 7,818,138</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Notes to Financial Statements
For Years Ended December 31, 2022 and 2021

NOTE 17 - ENDOWMENT FUNDS (Continued)

Spending policy (Continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2022</u>			
Endowments net assets, beginning of year	\$ 1,120,856	\$ 6,697,282	\$ 7,818,138
Contributions	1,851	724,201	726,052
Distributions	-	(991)	(991)
Investment income	57,854	34,220	92,074
Net appreciation - realized and unrealized	(437,259)	(529,270)	(966,529)
Amounts appropriated for expenditures	(9,372)	(7,372)	(16,744)
Endowments net assets, end of year	<u><u>\$ 733,930</u></u>	<u><u>\$ 6,918,070</u></u>	<u><u>\$ 7,652,000</u></u>
	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2021</u>			
Endowments net assets, beginning of year	\$ 874,040	\$ 5,845,765	\$ 6,719,805
Investment income	67,589	115,086	182,675
Net appreciation - realized and unrealized	194,835	766,349	961,184
Amounts appropriated for expenditures	(15,608)	(29,918)	(45,526)
Endowments net assets, end of year	<u><u>\$ 1,120,856</u></u>	<u><u>\$ 6,697,282</u></u>	<u><u>\$ 7,818,138</u></u>

NOTE 18 - CONTINGENCIES

Grants awarded to the Society are subject to the funding organization’s criteria and contract terms under which expenditures may be charged and are subject to audit under such criteria and terms. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Society could be held responsible for repayments to the funding organization for the costs. Management does not anticipate any material questioned costs for the grants administered during the period. No provision has been made in the accompanying financial statements for the refund of grant funds.

NOTE 19 - LIABILITY UNDER AGENCY RELATIONSHIP

The Society and Sylvan Heights have an ongoing agency relationship. Contributions and other support that have been received by the Society but not remitted to Sylvan Heights are measured at present value and are reported as liabilities in the financial statements. The portion of the account designated as “beneficial interest in charitable lead trust” represents the present value of expected future cash inflows received by the Society on behalf of Sylvan Heights. The Society recognizes the present value of the expected future cash inflows and an offsetting liability until the trust assets are distributed.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Notes to Financial Statements
For Years Ended December 31, 2022 and 2021

NOTE 19 - LIABILITY UNDER AGENCY RELATIONSHIP (Continued)

Agency Transactions as of December 31, 2022 were as follows:

	Liability Under Agency Relationship 12/31/2021	Increases	Decreases	Liability Under Agency Relationship 12/31/2022
Sylvan Heights Beneficial interest in a Charitable Lead Trust	\$ 2,889	\$ 35,478	\$ (29,589)	\$ 8,778
	686,231	27,750	(110,327)	603,654
	<u><u>\$ 689,120</u></u>	<u><u>\$ 63,228</u></u>	<u><u>\$ (139,916)</u></u>	<u><u>\$ 612,432</u></u>

Agency Transactions as of December 31, 2021 were as follows:

	Liability Under Agency Relationship 12/31/2020	Increases	Decreases	Liability Under Agency Relationship 12/31/2021
Sylvan Heights Beneficial interest in a Charitable Lead Trust	\$ 201,673	\$ 148,138	\$ (346,922)	\$ 2,889
	765,759	30,799	(110,327)	686,231
	<u><u>\$ 967,432</u></u>	<u><u>\$ 178,937</u></u>	<u><u>\$ (457,249)</u></u>	<u><u>\$ 689,120</u></u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Schedule 1

**Schedules of Contributions, Grants, and Special Projects Without Donor Restrictions
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Contributions	\$ 189,290	\$ 1,031,122
Contributions- Capital Growth	2,980,875	3,945,868
Membership projects:		
Membership discount tickets	237,676	181,660
Education projects:		
Contributions and receipts	99,314	106,644
Other projects:		
Combo tickets	-	26,810
Rydables	-	148,351
Boo at the Zoo	72,666	-
Brick House	6,220	5,443
Learning Center	30,998	19,243
Online Auctions	-	20,433
President's Club and Conservator's Circle	89,800	103,648
Miscellaneous	<u>30,674</u>	<u>31,488</u>
Total unrestricted contributions and special projects	<u>\$ 3,737,513</u>	<u>\$ 5,620,710</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedule of Support, Releases, and Net Assets with Donor Restrictions
Year Ended December 31, 2022

Schedule 2

Description	Net Assets With Donor Restriction 12/31/2021	Donor Restricted Support	Program Support	Net Assets Released From Restrictions			Net Assets With Donor Restriction 12/31/2022
				Program Expenses	Transfers	Total	
Purpose Restrictions							
Animal welfare and initiatives	\$ 394,365	\$ 901,143	\$ 22,826	\$ 151,169	\$ (22,000)	\$ 129,169	\$ 1,189,165
Conservation programs and initiatives	1,474,050	780,997	255,921	911,886	22,000	933,886	1,577,082
Design programs and initiatives	118,536	1	-	36,350	-	36,350	82,187
Education programs and initiatives	309,394	1,004,598	-	391,427	-	391,427	922,565
Horticulture programs and initiatives	38,434	27,175	3,089	10,091	-	10,091	58,607
Planning and facilities	9,456,626	5,506,891	194,113	299,995	-	299,995	14,857,635
Undistributed endowment gains	454,932	440,283	-	-	724,201	724,201	171,014
Veterinary programs and initiatives	1,756,766	(182,721)	91,954	64,180	-	64,180	1,601,819
Zoo visitor growth and awareness	46,233	1,000	18,374	61,940	-	61,940	3,667
COVID-19 funds	473,946	5,310	-	478,940	-	478,940	316
Total Purpose Restrictions	<u>14,523,282</u>	<u>8,484,677</u>	<u>586,277</u>	<u>2,405,978</u>	<u>724,201</u>	<u>3,130,179</u>	<u>20,464,057</u>
Time Restrictions							
Graham Charitable Remainder Trust	244,824	(51,075)	-	-	-	-	193,749
Haggard Charitable Remainder Trust	29,453	(595)	-	-	-	-	28,858
Peters Charitable Remainder Trust	28,117	-	-	-	-	-	28,117
Total Time Restrictions	<u>302,394</u>	<u>(51,670)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,724</u>
Permanent Endowment Restrictions							
Bryan Family Foundation	95,318	-	(19,809)	-	-	-	75,509
Chadwell	1,000	-	-	-	-	-	1,000
Cato-Goodyear	11,167	-	-	-	-	-	11,167
Conservation	154,848	-	(35,655)	-	-	-	119,193
Jane Craig Hanes	1,146,939	-	(238,093)	-	-	-	908,846
Jason Zwerin	18,075	-	-	-	-	-	18,075
Layne	1,000	-	-	-	-	-	1,000
Nia Bella Redditt	210,846	-	-	-	-	-	210,846
Sloan	1,270,063	-	-	-	-	-	1,270,063
Warner Atkins	25,000	-	-	-	-	-	25,000
Capital Growth	275,799	-	-	-	(724,201)	(724,201)	1,000,000
Total Permanent Endowment Restrictions	<u>3,210,055</u>	<u>-</u>	<u>(293,557)</u>	<u>-</u>	<u>(724,201)</u>	<u>(724,201)</u>	<u>3,640,699</u>
Total Net Assets with Donor Restrictions	<u>\$18,035,731</u>	<u>\$ 8,433,007</u>	<u>\$ 292,720</u>	<u>\$ 2,405,978</u>	<u>\$ -</u>	<u>\$ 2,405,978</u>	<u>\$24,355,480</u>

See Independent Auditor's Report

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Revenue - Gift Shops, Net of Direct Costs
Years Ended December 31, 2022 and 2021

Schedule 3

	<u>2022</u>	<u>2021</u>
Sales:		
Gift shop sales	\$ 4,401,432	\$ 3,909,983
Less: sales discounts	(76,446)	(72,785)
Net sales	<u>4,324,986</u>	<u>3,837,198</u>
Inventories at beginning of year	307,383	609,197
Purchases	1,513,908	912,912
	1,821,291	1,522,109
Less inventories at end of year	408,356	307,383
Total cost of sales	<u>1,412,935</u>	<u>1,214,726</u>
Gross profit from gift shops	<u>2,912,051</u>	<u>2,622,472</u>
Other operating income:		
Rentals	<u>267,429</u>	<u>233,544</u>
Operating expenses:		
Bank charges	68,199	66,573
Computer support	2,342	5,714
Depreciation	37,745	40,645
Dues and subscriptions	300	255
Freight-in	102,183	61,728
General insurance	7,628	6,569
Group benefits	101,162	85,617
Legal, accounting, and consulting	498	286
Loss on damaged goods	5,553	5,138
Miscellaneous	2,852	2,686
Payroll taxes	42,256	35,426
Repairs and maintenance	1,752	203
Salaries	545,070	459,206
Supplies	30,833	13,761
Telephone	12,297	8,133
Training/conferences/mileage	7,102	5,144
Utilities	3,800	2,421
Vending expenses	53,684	52,428
Total operating expenses	<u>1,025,256</u>	<u>851,933</u>
Revenue from gift shops	<u>\$ 2,154,224</u>	<u>\$ 2,004,083</u>

Summary of Program Support Expenses
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Animal Welfare and Enrichment	\$ 202,971	\$ 147,597
Conservation Programs and Initiatives	1,212,065	628,858
Design Programs and Initiatives	43,479	6,291
Education Programs and Initiatives	497,722	59,745
Horticulture Programs and Initiatives	43,608	74,652
Park Program Services	2,409,116	2,193,953
Planning and Facilities	214,059	348,608
Veterinary Programs and Initiatives	138,974	140,132
Zoo Operational Support	1,068,010	657,711
Zoo Personnel, Supplements, Travel, and Training	585,297	699,018
Zoo Visitor Growth and Awareness	279,330	245,067
	<u>\$ 6,694,631</u>	<u>\$ 5,201,632</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Program Services - Membership Expenses
Years Ended December 31, 2022 and 2021

Schedule 5

	<u>2022</u>	<u>2021</u>
Annual report	\$ 4,548	\$ 1,856
Auto expense	378	924
Bad debt (recoveries)	(4,710)	42,813
Bank card charges	38,856	28,349
Computer support	60,905	67,126
Continuing education/incentives	429	2,609
Depreciation	27,930	25,904
Donor cultivation	11,074	6,292
Dues and subscriptions	2,656	1,605
General insurance	27,786	23,929
Group benefits	157,208	159,481
Magazine	80,672	42,380
Mailing services	57,463	46,991
Meetings	4,950	2,123
New Member Solicitation	35,449	-
Membership incentives	2,247	674
Miscellaneous	4,975	2,561
Office supplies	17,792	11,146
Leased equipment	5,203	3,525
Payroll taxes	65,452	53,645
Membership sales taxes	14,247	14,992
Planned giving	2,048	2,163
Postage	55,832	39,943
Printing	21,524	9,082
Professional services	257,943	197,572
Repairs and maintenance	982	1,209
Salaries	872,904	710,436
Telephone	17,127	18,352
Training, conferences, and travel	9,508	2,812
	<u>\$ 1,853,378</u>	<u>\$ 1,520,494</u>
Total membership expenses	<u>\$ 1,853,378</u>	<u>\$ 1,520,494</u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Management and General Expenses
Years Ended December 31, 2022 and 2021

Schedule 6

	<u>2022</u>	<u>2021</u>
Computer support	\$ 4,730	\$ 5,291
Depreciation	1,817	2,247
Dues and subscriptions	593	321
General insurance	5,032	1,877
Group benefits	12,010	16,414
Meetings	7,294	2,635
Miscellaneous	5,478	1,607
Office perks	3,531	2,485
Office supplies	3,624	1,744
Payroll taxes	10,318	8,523
Postage	2,557	-
Printing	800	1,345
Leased equipment	832	641
Professional services	22,980	22,564
Repairs and maintenance	82	104
Salaries	155,158	120,167
Telephone	3,858	3,931
Training, conferences, and travel	1,317	1,961
	<u>1,317</u>	<u>1,961</u>
Total management and general expenses	<u><u>\$ 242,011</u></u>	<u><u>\$ 193,857</u></u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Fundraising Expenses
Years Ended December 31, 2022 and 2021

Schedule 7

	<u>2022</u>	<u>2021</u>
Auto expense	\$ 284	\$ 638
Bad debt expense (recoveries)	(3,600)	12,769
Bank card charges	31,627	29,027
Continuing education/incentives	389	2,380
Computer support	14,191	15,193
Depreciation	4,683	4,914
Donor cultivation	8,515	8,876
Dues and subscriptions	1,883	1,284
General insurance	9,262	7,976
Group benefits	49,761	43,776
Meetings	2,665	790
Miscellaneous	4,158	2,252
New member solicitation	-	151
Office supplies	5,227	3,273
Payroll taxes	13,729	12,450
Planned giving	2,477	2,162
Postage	6,241	1,802
Printing	1,105	4,025
Leased equipment	1,825	1,316
Professional services	118,974	70,996
Repairs and maintenance	327	1,177
Salaries	202,479	169,890
Telephone	5,134	5,025
Training, conferences, and travel	3,696	1,114
Total fundraising expenses	<u><u>\$ 485,032</u></u>	<u><u>\$ 403,256</u></u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
Schedules of Special Projects' Expenses
Years Ended December 31, 2022 and 2021

Schedule 8

	<u>2022</u>	<u>2021</u>
Special Projects - Program Services		
Adopt an Animal	\$ 7,231	\$ 5,667
Learning Center	27,033	14,546
Membership Special Programs	7,809	11,740
Ride with a guide	8,751	6,808
Rydables	-	146,935
Vet Camps	8,853	4,457
Lunch and Learns	515	-
Field Trip Earth	680	-
Boo at the Zoo	56,483	-
Total special projects - program services	<u>117,355</u>	<u>190,153</u>
Special Projects - Other		
Annual Giving	132	447
Promotion - General	193	-
Corporate Membership	10,130	13,729
Donor Relations	3,880	-
Gifts-in-Kind	87,274	74,380
Special Event	418	-
President's Club and Conservator's Circle	-	335
Randolph Friends of the Zoo	46,296	7,348
Online Auction	780	13,297
Total special projects - other	<u>149,103</u>	<u>109,536</u>
Total special projects expenses	<u><u>\$ 266,458</u></u>	<u><u>\$ 299,689</u></u>

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.

Schedule 9

**Schedules of Financial Position, Activities and Changes in Net Assets for Capital Growth
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 18,929,983	\$ 13,326,824
Pledges receivable, net	5,271,541	3,310,736
Investments	995,030	-
Total assets	<u>25,196,554</u>	<u>16,637,560</u>
Liabilities:		
Accounts payable and accrued expenses	9,219	3,964
Net Assets:		
Board Designated Unrestricted	11,897,443	7,546,934
Donor Restrictions	13,289,892	9,086,662
Total net assets	<u>25,187,335</u>	<u>16,633,596</u>
Total liabilities and net assets	<u>\$ 25,196,554</u>	<u>\$ 16,637,560</u>
Revenue:		
Without Donor Restrictions	\$ 2,980,875	\$ 3,945,868
With Donor Restrictions	5,778,828	3,915,241
Interest/Investment Income/Return	125,551	13,791
Total revenue	<u>8,885,254</u>	<u>7,874,900</u>
Expenses:		
Legal services and professional fees	243,220	246,949
Salaries and wages	40,218	40,684
Office supplies and other	8,916	98,505
Board designated	43,840	-
Total expenses	<u>336,194</u>	<u>386,138</u>
Change in net assets	8,549,060	7,488,762
Transfers from Operations (*)	4,679	7,538
Net Assets, beginning of year	<u>16,633,596</u>	<u>9,137,296</u>
Net Assets, end of year	<u>\$ 25,187,335</u>	<u>\$ 16,633,596</u>

(*) Transfers between capital and operations during the year when funding is split.

THE NORTH CAROLINA ZOOLOGICAL SOCIETY, INC.
 Schedule of Board Designated Reserves, Releases, and Net Assets
 Year Ended December 31, 2022

Schedule 10

Description	Balance 12/31/2021	Board Designated	Year to Date Program Services	Total Net Assets Released/Transfer	Balance 12/31/2022
Animal Welfare & Enrichment	\$ 85,381	\$ 37,500	\$ 79,948	\$ -	\$ 42,933
Conservation Programs & Initiatives	262,297	20,000	233,097	(85,920)	135,120 (1)
Maintenance of Art Collection	22,883	-	7,129	-	15,754
Horticulture Programs & Initiatives	46,635	-	34,601	-	12,033
Planning and Facilities	20,000	-	-	-	20,000 (3)
Veterinary Programs & Initiatives	91,198	-	90,354	-	844
Personnel, Supplements, Travel & Training	532,582	108,966	466,358	100,000	75,190
Education Programs & Initiatives	-	23,500	-	-	23,500 (2)
Zoo Visitor growth & Initiatives	212,779	48,007	360,786	(100,000)	(0)
Total Board Designated Transfers	1,273,754	237,973	1,272,275	(85,920)	325,373
Capital Endowment - Board Restricted	401,018	267,624	-	-	668,642
Education Programs & Initiatives	161,293	99,314	106,301	-	154,306 (2)
Funds Turned Over to the Zoo	-	710,637	710,637	-	-
Conservation Programs & Initiatives	155,652	149,264	47,380	85,920	171,615 (1)
Planning and Facilities	6,513,082	2,600,787	1,067	-	9,112,802 (3)
Professional Services	236,292	2,424,093	2,306,507	-	353,879
Emergency Reserves (Investment Account)	1,457,884	-	-	-	1,360,407
	<u>\$ 10,198,975</u>	<u>\$ 6,489,692</u>	<u>\$ 4,444,166</u>	<u>\$ -</u>	<u>\$ 12,147,023</u>

(1) \$ 177,806 Total Education programs and initiatives
 (2) \$ 306,735 Total Conservation Programs and Initiatives
 (3) \$ 9,132,802 Total Planning and facilities

See Independent Auditor's Report