

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012



MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Zoological Society of Florida, Inc.
Miami, Florida

We have audited the accompanying financial statements of Zoological Society of Florida, Inc. (the "Society"), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statement of activities, 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.

Auditor's 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 audit 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zoological Society of Florida, Inc. (the "Society") as of September 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Morrison, Brown, Argiz & Farra

Miami, Florida
January 13, 2014

An Independent Member of Baker Tilly International

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30,

ASSETS	2013	2012
Cash	\$ 42,297	\$ 46,342
Unconditional promises to give, net	340,174	276,606
Other accounts receivable	89,222	77,699
Investments	14,504,940	13,929,592
Prepaid expenses and other assets	107,581	100,131
Property and equipment, net	<u>314,805</u>	<u>292,024</u>
TOTAL ASSETS	<u>\$ 15,399,019</u>	<u>\$ 14,722,394</u>
<hr/> LIABILITIES AND NET ASSETS <hr/>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 288,163	\$ 364,681
Line of credit	-	33,000
Funds held on behalf of Zoo Miami	1,046,974	973,308
Deferred revenues	57,661	42,135
Capital lease obligations	<u>21,595</u>	<u>33,317</u>
TOTAL LIABILITIES	<u>1,414,393</u>	<u>1,446,441</u>
NET ASSETS		
Unrestricted	300,085	78,065
Unrestricted board designated	<u>4,543,734</u>	<u>4,838,169</u>
Total unrestricted	4,843,819	4,916,234
Temporarily restricted	3,401,255	2,642,667
Permanently restricted	<u>5,739,552</u>	<u>5,717,052</u>
TOTAL NET ASSETS	<u>13,984,626</u>	<u>13,275,953</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,399,019</u>	<u>\$ 14,722,394</u>

The accompanying notes are an integral part of these financial statements.

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30,

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Membership dues, net	\$ 1,362,764	\$ -	\$ -	\$ 1,362,764	\$ 1,270,959	\$ -	\$ -	\$ 1,270,959
Donations and grants	918,189	436,904	22,500	1,377,593	791,470	208,290	-	999,760
Donated facilities	75,000	-	-	75,000	75,000	-	-	75,000
Special events	288,717	-	-	288,717	247,685	-	-	247,685
Education services	184,520	-	-	184,520	200,676	-	-	200,676
Miscellaneous	15,407	-	-	15,407	15,414	-	-	15,414
Investment gains, net	753,067	697,520	-	1,450,587	1,130,307	739,028	-	1,869,335
Net assets released from restrictions and changes in restrictions	375,836	(375,836)	-	-	270,922	(295,922)	25,000	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	3,973,500	758,588	22,500	4,754,588	4,002,433	651,396	25,000	4,678,829
Expenses:								
Program Services:								
Capital support - exhibits, projects and planning	34,311	-	-	34,311	28,722	-	-	28,722
Education	643,016	-	-	643,016	718,890	-	-	718,890
Children's Zoo/Zoo operations	785,576	-	-	785,576	596,388	-	-	596,388
Volunteer services and human resources	197,153	-	-	197,153	149,061	-	-	149,061
Membership	634,067	-	-	634,067	568,860	-	-	568,860
Marketing	302,499	-	-	302,499	293,986	-	-	293,986
Support Services:								
Administration	485,257	-	-	485,257	461,394	-	-	461,394
Donated facilities	75,000	-	-	75,000	75,000	-	-	75,000
Development activities	746,066	-	-	746,066	705,375	-	-	705,375
Special events	142,970	-	-	142,970	168,289	-	-	168,289
TOTAL EXPENSES	4,045,915	-	-	4,045,915	3,765,965	-	-	3,765,965
CHANGE IN NET ASSETS	(72,415)	758,588	22,500	708,673	236,468	651,396	25,000	912,864
NET ASSETS AT BEGINNING OF YEAR	4,916,234	2,642,667	5,717,052	13,275,953	4,679,766	1,991,271	5,692,052	12,363,089
NET ASSETS AT END OF YEAR	\$ 4,843,819	\$ 3,401,255	\$ 5,739,552	\$ 13,984,626	\$ 4,916,234	\$ 2,642,667	\$ 5,717,052	\$ 13,275,953

The accompanying notes are an integral part of these financial statements.

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 708,673	\$ 912,864
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	55,906	48,438
Provision for bad debt	15,000	10,000
Discounts (accretion) to net present values	30,831	(1,141)
Net realized and unrealized (gains) from investments	(1,023,388)	(1,522,326)
(Increase) decrease in operating assets:		
Unconditional promises to give, net	(109,399)	255,000
Other accounts receivable	(11,523)	22,688
Prepaid expenses and other assets	(7,450)	(15,056)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(76,518)	107,568
Deferred revenues	15,526	9,402
TOTAL ADJUSTMENTS	(1,111,015)	(1,085,427)
NET CASH USED IN OPERATING ACTIVITIES	(402,342)	(172,563)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(78,687)	(66,549)
Proceeds from sales and maturities of investments	4,637,976	180,225
Purchases of investments	(4,271,817)	(80,457)
NET CASH PROVIDED BY INVESTING ACTIVITIES	287,472	33,219
CASH FLOWS FROM FINANCING ACTIVITIES:		
Funds held on behalf of Zoo Miami	155,547	88,841
Principal payments under capital lease obligations	(11,722)	(17,971)
Repayments on line of credit	(138,000)	-
Proceeds from line of credit	105,000	33,000
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	110,825	103,870
NET DECREASE IN CASH	(4,045)	(35,474)
CASH AT BEGINNING OF YEAR	46,342	81,816
CASH AT END OF YEAR	\$ 42,297	\$ 46,342
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Donated facility and goods	\$ 159,819	\$ 145,046
Cash paid for interest	\$ 5,387	\$ 3,267

The accompanying notes are an integral part of these financial statements.

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013 AND 2012

1. GENERAL

The Zoological Society of Florida, Inc. (the "Society") was incorporated in the State of Florida for the purpose of promoting, developing and providing support to zoological parks and gardens, specifically Miami-Dade Zoological Park and Gardens ("Zoo Miami"), formerly known as Miami MetroZoo. The Society derives its principal support and revenues through membership dues, grants and donations.

In November 1998, the Miami-Dade Board of County Commissioners (the "Board") approved an ordinance to establish an Oversight Board and companion operating agreement between Miami-Dade County and the Society. The Oversight Board consists of nine members from Miami-Dade County and the Society. It oversees the development of a strategic plan for Zoo Miami and the preparation of a joint operating budget, ensures compliance with the terms and conditions of the operating agreement and serves in an advisory capacity to the Board. There has been no conveyance of County property to the Board or the Society. The Miami-Dade County Parks and Recreation Department continues to oversee the daily operations of Zoo Miami. The Society, in addition to its current functions, takes an active role in promoting the attraction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are prepared using the accrual basis of accounting. Net assets, revenue, gains and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three net asset categories are reflected in the accompanying financial statements as follows:

- **Unrestricted**
The part of net assets of the Society resulting from contributions and other inflows of assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of the Society and the purpose specified in its articles of incorporation and bylaws. In addition, the Society has unrestricted, board designated net assets resulting from contributions whose use by the Society is not limited by donor-imposed stipulations. The Society has internally earmarked such funds not to be expended for an unspecified period of time.
- **Temporarily Restricted**
The part of the net assets of the Society resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations.
- **Permanently Restricted**
The part of the net assets of the Society resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Society.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions and changes in restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk and Market Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of temporary cash deposits in excess of the Federal Deposit Insurance Corporation (the "FDIC") insured limits. At times, such balances may be in excess of the insurance limits of the FDIC. The Society has not experienced losses in such accounts.

The Society invests in marketable debt and equity securities, which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual debt and equity security. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Society has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

Concentrations of credit risk do exist with respect to pledges made to the Society during the year. Management considers credit risk associated with pledges receivable to be low due to the diversity of the donors and the recurring nature of many donations.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. However, the Society's policy is to include money market accounts not held at financial institutions, which are highly liquid, in investments.

Contributions, Membership Dues and Receivables

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as restricted support.

Membership dues are recognized as revenue for financial reporting purposes in the year the fees are earned.

Unconditional promises to give due in excess of one year are discounted at the present value of their estimated future cash flows. Unconditional promises to give and other receivables are recorded in the Statements of Financial Position at fair value estimated by discounted cash flow analyses, using an average discount rate of 5% for the years ended September 30, 2013 and 2012. Management provides for probable uncollectible amounts based on its assessment of recent collection history and current donor relationships. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Society recorded an allowance for pledges receivable of \$15,000 and \$0 for the years ended September 30, 2013 and 2012, respectively.

Investments

The Society reports their investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the Statements of Financial Position. Investment gains (losses) (including realized and unrealized gains and losses on investments, interest and dividends) are included in the Statements of Activities under the caption "Investment gains, net."

Income Taxes

The Society is a non-profit corporation which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, generally would not incur income taxes. As a result, the financial statements do not reflect a provision for income taxes.

The Society recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The U.S. Federal jurisdiction is the major tax jurisdiction where the Society files income tax returns. The Society is generally no longer subject to U.S. Federal examinations by tax authorities for fiscal years before 2010.

Property and Equipment, Net

Property and equipment purchases are recorded at cost or, if contributed, at the fair value at the time of donation. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 10 years. Upon sale or disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded. Maintenance and repairs are expensed as incurred. The Society capitalizes assets purchased which exceed \$500.

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes in the Society's climate, indicate that they may be impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets are adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows. No write-downs for impairment of long-lived assets were recorded in 2013 or 2012.

Accrued Expenses

The Society records accrued expenses primarily for employees' vacation, and professional fees.

Funds Held on Behalf of Zoo Miami

The Society maintains funds in its investments on behalf of Zoo Miami. These funds are utilized at the discretion of Zoo Miami and the Society only acts as a conduit. The Society does not record revenue or expenses in the Statement of Activities related to these funds.

Deferred Revenues

The Society records deferred revenue for monies received in advance for special events, multi-year memberships, and other programs that have not taken place as of September 30, 2013 and 2012.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Facility, Goods and Services

The Society occupies, without charge, a building owned by Miami-Dade County. The estimated fair rental value of the premises is reported as support and expense in the period in which the building is used. Donated facilities for each of the years ended September 30, 2013 and 2012 totaled \$75,000 and is reflected under the caption "Donated facilities" on the Statements of Activities,(NOTE 14).

The Society receives certain contributions of services for which it would otherwise have to pay and donated goods which are used at its annual fundraising event. The Society records these contributions as both support and expense in the Statements of Activities. Total contributions for services and goods were \$84,819 and \$70,046 for the years ended September 30, 2013 and 2012, respectively, and are included as unrestricted revenues under the captions "Donations and Grants" and "Special events" on the Statements of Activities.

Donated services provided by volunteers in connection with the various programs are not recorded as contributions by the Society within the financial statements since they do not meet the requirements under the financial accounting standards. The Society estimates the value of the donated services to be approximately \$1,011,000 and \$771,000 for the years ended September 30, 2013 and 2012, respectively.

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain 2012 financial statement amounts have been reclassified to conform to the 2013 presentation.

Subsequent Events

The Society has evaluated subsequent events through January 13, 2014, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows

In October 2012, the Financial Account Standards Board ("FASB") issued an accounting standard update which provides guidance to not-for-profit entities for classifying cash flows from the sale of donated financial assets. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013, with early adoption and retrospective application permitted. The Society is currently evaluating the effect the update will have on its financial statements.

Services Received from Personnel of an Affiliate

In April 2013, the FASB issued an accounting standard update which requires not-for-profit entities to apply similar recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the recipient not-for-profit entity is not charged by the affiliate. The update requires that those services be measured at the cost recognized by the affiliate for the personnel providing those services unless such measurement would significantly overstate or understate the value of the service received, in which case the recipient not-for-profit entity may elect to recognize such services at the fair value of the service. The update is effective prospectively for fiscal years beginning after June 15, 2014, and interim periods thereafter, with early adoption permitted. The Society is currently evaluating the effect the update will have on its financial statements.

3. UNCONDITIONAL PROMISES TO GIVE, NET

The following are schedules of payments due relating to unconditional promises to give. These payments have been discounted using a rate of 5% for 2013 and 2012. Unconditional promises to give are expected to be realized in the following periods:

Less than one year	\$	108,680
One to five years		211,220
Thereafter		73,912
	Total	<u>393,812</u>
Less: Allowance on long-term pledges		(15,000)
Less: Discount on long-term pledges		<u>(38,638)</u>
	Unconditional promises to give, net	<u>\$ 340,174</u>

For the years ended September 30, 2013 and 2012, bad debt expense totaled \$15,000 and \$10,000, respectively.

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013 AND 2012

4. INVESTMENTS

Investments are presented in the financial statements at their fair market values and consist of the following at September 30:

	<u>2013</u>	<u>2012</u>
Money market funds and other	\$ 983,466	\$ 937,450
Common stocks	594,129	601,845
Mutual funds and exchange traded funds	<u>12,927,345</u>	<u>12,390,297</u>
	<u>\$ 14,504,940</u>	<u>\$ 13,929,592</u>
	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 427,199	\$ 347,009
Net realized investment gains	535,438	172,408
Net unrealized investment gains	<u>487,950</u>	<u>1,349,918</u>
	<u>\$ 1,450,587</u>	<u>\$ 1,869,335</u>

For the years ended September 30, 2013 and 2012 investment fees were \$41,006 and \$48,680, respectively, and are included as expenses under the captions "Administrative" and "Capital support" on the Statements of Activities.

5. FAIR VALUE MEASUREMENTS

The FASB establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value of hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The money market funds portfolio invests in cash equivalents backed by government and treasury securities. These investments are valued at amortized cost, which approximates fair value.

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and exchange traded funds ("ETF's") are managed by independent investment advisors with discretionary investment authority. The mutual funds and ETF's are valued at the closing price reported in the active market in which the individual securities are traded.

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

5. FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized.

Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following tables represent the Society's financial instruments measured at fair value on a recurring basis at September 30, 2013 and 2012 for each of the fair value hierarchy levels:

Fair Value Measurements at September 30, 2013				
Description	9/30/2013	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market funds and other	\$ 983,466	\$ 983,466	\$ -	\$ -
Common stocks	594,129	594,129	-	-
Mutual funds and ETF's:				
Total return, stock & all asset funds	4,972,449	4,972,449	-	-
Fixed income funds	3,495,769	3,495,769	-	-
International funds	1,969,533	1,969,533	-	-
Other funds	2,489,594	2,489,594	-	-
	\$ 14,504,940	\$ 14,504,940	\$ -	\$ -

Fair Value Measurements at September 30, 2012				
Description	9/30/2012	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market and other funds	\$ 937,450	\$ 937,450	\$ -	\$ -
Common stocks	601,845	601,845	-	-
Mutual funds and ETF's:				
Total return, stock & all asset funds	6,565,286	6,565,286	-	-
Fixed income funds	2,329,100	2,329,100	-	-
International funds	1,854,984	1,854,984	-	-
Other funds	1,640,927	1,640,927	-	-
	\$ 13,929,592	\$ 13,929,592	\$ -	\$ -

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

6. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at September 30:

	2013	2012
Furniture, fixtures and equipment	\$ 475,783	\$ 442,859
Transportation equipment (including capital lease of \$47,644 as of September 30, 2013 and 2012)	90,789	90,789
Computer equipment	259,186	252,166
Leasehold improvements	233,191	194,448
	1,058,949	980,262
Less: accumulated depreciation and amortization, including accumulated amortization on capital leases of \$26,766 and \$14,886 as of September 30, 2013 and 2012, respectively	(744,144)	(688,238)
	\$ 314,805	\$ 292,024

Total depreciation and amortization expense as of September 30, 2013 and 2012 was \$55,906 and \$48,438, respectively.

7. OBLIGATIONS UNDER CAPITAL LEASES

During 2011, the Society entered into a capital lease for transportation equipment of approximately \$48,000. The leased transportation equipment is depreciated over an estimated useful life of four years. Amortization of equipment under capital leases was approximately \$12,000 for the years ended September 30, 2013 and 2012, respectively, which is included in depreciation and amortization expense in NOTE 6.

Future minimum lease payments at September 30, 2013 are as follows:

	2014		\$ 13,824
	2015		9,216
			23,040
Less amount representing interest			(1,445)
			\$ 21,595

Interest expense under capital leases for the years ended September 30, 2013 and 2012 was \$2,101 and \$2,945, respectively.

8. LINE OF CREDIT

The Society entered into an unsecured revolving line of credit agreement with a financial institution during July 2004, renewable annually. The agreement has been renewed on an annual basis and expires in April 2014. The agreement requires monthly interest payments at the prime rate of interest plus 1.75, which was 5% as of September 30, 2013 and 2012. For the years ended September 30, 2013 and 2012, the balance under the line of credit was \$0 and \$33,000, respectively. The maximum borrowing amount under the agreement is \$400,000.

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

10. TEMPORARILY RESTRICTED NET ASSETS

The Society's temporarily restricted net assets consist of assets which have been restricted by the donor either as to the purpose or the passage of time. For the years ended September 30, 2013 and 2012, temporarily restricted pledges were approximately \$304,000 and \$242,000, respectively. The time restrictions will be met in future periods and the purpose restrictions will be met when net assets are used for the specific programs.

The temporarily restricted net assets relate primarily to specific capital projects at Zoo Miami and other program activities of the Society. Temporarily restricted net assets at September 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Florida exhibit	\$ 1,482,639	\$ 1,297,822
Other projects	537,268	605,817
Net appreciation on permanently restricted net assets	<u>1,381,348</u>	<u>739,028</u>
	<u>\$ 3,401,255</u>	<u>\$ 2,642,667</u>

10. PERMANENTLY RESTRICTED NET ASSETS

The Society has permanently restricted net assets of \$5,739,552 and \$5,717,052 as of September 30, 2013 and September 2012, respectively. For the year ended September 30, 2013 the permanently restricted net assets were composed of investments and a pledge in the amount of \$20,152. The donors have instructed the Society that the principal cannot be expended; however, the earnings generated by the original donated principal are available to be expended. Any earnings are included in temporarily restricted net assets and are expensed as appropriated.

	<u>2013</u>	<u>2012</u>
	<u>Donated Principal</u>	<u>Donated Principal</u>
Weeks Hospital endowment	\$ 1,600,000	\$ 1,600,000
Katzenstein Education endowment	1,000,000	1,000,000
Operating endowment	1,855,000	1,855,000
Batchelor Foundation Amazon and Beyond endowment	300,000	300,000
Komodo Dragon endowment	200,000	200,000
Dr. James A. Kushlan S. Florida Wading Bird endowment	188,000	188,000
Children's Zoo endowment	125,000	125,000
Landon and Cynthia Knight Family Amazon and Beyond endowment	350,000	350,000
Gamble Koala endowment	50,000	50,000
Cobb Fountain endowment	10,000	10,000
Madden Florida endowment	22,500	-
Amazon and Beyond endowment	<u>39,052</u>	<u>39,052</u>
	<u>\$ 5,739,552</u>	<u>\$ 5,717,052</u>

11. ENDOWMENTS

The Society's endowment consists of individual funds established for a variety of purposes. Its endowment is comprised of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

11. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

In June 2011 the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") which is effective July 1, 2012. The Society adopted FUPMIFA on July 1, 2012. The Society has interpreted FUPMIFA 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by FUPMIFA.

The Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (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

For the years ended September 30, 2013 and 2012, the Society has elected not add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a competitive rate of return while assuming a moderate level of investment risk. The Society expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places emphasis on investments in equities and mutual funds to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year 3% of the 3-year moving average of the prior month-end market values of its board designated endowment fund balance. However, from time to time at the discretion of the Board of the Directors they may adjust the policy up or down. In establishing this policy, the Society considered the long-term expected return on its endowment. The spending rate above is not applicable to the restricted funds of the endowment as the distributions are, instead, dictated by the specific needs of the purpose(s) or program(s) designated by the Board of Directors.

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

11. ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual temporarily and permanently donor restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Society to retain as a fund of perpetual duration. As of September 30, 2013 and 2012, the fair market value of permanently restricted investments including earnings within temporarily restricted totaled \$7,100,748 and \$6,456,080, respectively.

Summary of Endowment Net Assets September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,381,348	\$ 5,719,400	\$ 7,100,748
Board-designated endowment funds	4,543,734	-	-	4,543,734
Total endowment net assets	\$ 4,543,734	\$ 1,381,348	\$ 5,719,400	\$ 11,644,482

Summary of Endowment Net Assets September 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 739,028	\$ 5,717,052	\$ 6,456,080
Board-designated endowment funds	4,838,169	-	-	4,838,169
Total endowment net assets	\$ 4,838,169	\$ 739,028	\$ 5,717,052	\$ 11,294,249

Changes in endowment net assets for the year ended September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 4,838,169	\$ 739,028	\$ 5,717,052	\$ 11,294,249
Interest and dividends	222,622	-	-	222,622
Investment change, net	477,800	697,520	-	1,175,320
Contributions	-	-	2,348	2,348
Amount appropriated for expenditure and released from restriction	(994,857)	(55,200)	-	(1,050,057)
Endowment net assets, ending	\$ 4,543,734	\$ 1,381,348	\$ 5,719,400	\$ 11,644,482

Changes in endowment net assets for the year ended September 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 4,880,003	\$ -	\$ 5,692,052	\$ 10,572,055
Interest and dividends	193,644	-	-	193,644
Investment change, net	747,240	739,028	-	1,486,268
Amount appropriated for expenditure and released from restriction	(982,718)	-	25,000	(957,718)
Endowment net assets, ending	\$ 4,838,169	\$ 739,028	\$ 5,717,052	\$ 11,294,249

THE ZOOLOGICAL SOCIETY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

11. ENDOWMENTS (CONTINUED)

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by FUPMIFA \$ 5,719,400

There are pledges receivable that are part of permanently restricted net assets. However, as these pledges receivable have not been collected, these assets are not included within the spending calculation for the permanent fund or in the endowment net assets reported.

12. RETIREMENT PLAN

Effective January 1, 2000, the Society started a 401(K) retirement plan. The plan is for eligible employees who have reached the age of 21 and completed a 90 day employment period. The Society contributes a matching contribution of 50% of employee contributions up to 4% of compensation. The Society made contributions to the plan during the years ended September 30, 2013 and 2012 of \$30,355 and \$24,888, respectively.

13. TRANSACTIONS WITH MIAMI-DADE COUNTY AND ZOO MIAMI

Zoo Miami Marketing

In accordance with the operating agreement (NOTE 1), the Society receives an annual allotment from Miami-Dade County to create and execute a marketing plan for Zoo Miami. The Society acts as a conduit of these funds by providing administrative support to Zoo Miami. The annual allotment is executed on a reimbursement basis. For the years ended September 30, 2013 and 2012, the Society received approximately \$1,175,000 and \$1,185,000, respectively. These funds are neither recognized as revenue or expense in the Statements of Activities of the Society in accordance with an accounting standard issued by the FASB for accounting for transfers of assets to a not-for-profit organization.

Cultural Affairs Grant

In September 2003, Zoo Miami was designated a Cultural Institution by Miami-Dade County Department of Cultural Affairs. In conjunction with this designation, the Society was awarded grants in the amounts of \$293,000 to use in its programs for each of the years ended September 30, 2013 and 2012. These grants are included within the caption "Donations and grants" in the Statements of Activities for the years ended September 30, 2013 and 2012. The Society is subject to various conditions related to these grants.

Safe Neighborhood Parks Bond

In 1996, the voters of Miami-Dade County approved a bond issue to provide funds for the improvement and upkeep of Miami-Dade County Parks. Zoo Miami received \$7,330,130 from the issuance of these bonds, which includes an outstanding balance due to the Society for the years ended September 30, 2013 and 2012 of approximately \$377,000. The Society has recorded an allowance for the entire balance based on the uncertainty of collection; however, the Society believes they will receive these funds in a future general obligation bond issuance.

Funds held on behalf of Zoo Miami

The Society held funds on behalf of Zoo Miami of approximately \$1,047,000 and \$973,000 during the years ended September 30, 2013 and 2012, respectively. Zoo Miami has complete discretion over the use of these funds and the Society acts only as a conduit. These funds are included in "Investments" in the Statements of Financial Position, as well as a liability under the caption "Funds held on behalf of Zoo Miami." Contributions or withdrawals of these funds are neither recognized as revenue or expense in the Statements of Activities of the Society.

14. SUBSEQUENT EVENT

Bequest

In November 2013, the Society received funds from an unrestricted bequest of approximately \$808,000.