

**BIRMINGHAM ZOO, INC.**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**PEARCE, BEVILL, LEESBURG, MOORE, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

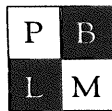
**BIRMINGHAM ZOO, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Birmingham Zoo, Inc.  
Birmingham, Alabama

We have audited the accompanying statements of financial position of the Birmingham Zoo, Inc. (a nonprofit organization) as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

#### Members:

- The American Institute of Certified Public Accountants
- The Alabama Society of Certified Public Accountants
- PCPS - The AICPA Alliance for CPA Firms
- National CPA Health Care Advisors Association

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Birmingham Zoo, Inc. as of December 31, 2016 and 2015, and the changes in its statements of activities, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Organization's 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.

*Pearce, Bevell, Leesburg, Moore, P.C.*

April 12, 2017

**BIRMINGHAM ZOO, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

<b>ASSETS</b>		
	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 213,088	\$ 190,478
Cash - restricted	1,922,275	1,225,511
Cash - board designated	19,890	399,226
Certificates of deposit - restricted	22,465	22,443
Accounts receivable - unrestricted	98,452	124,375
Accounts receivable - restricted	100,000	100,000
Donations pledged - unrestricted	189,625	57,400
Donations pledged - restricted	1,578,881	1,477,256
Inventories	7,844	6,583
Prepaid expenses and other assets	180,867	106,874
Interfund receivables (payables) - unrestricted	(29,965)	-
Interfund receivables (payables) - restricted	29,965	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,333,387</b>	<b>3,710,146</b>
<b>PROPERTY AND EQUIPMENT , NET</b>		
Property and equipment, net of accumulated depreciation	30,274,577	30,524,993
Construction in progress - restricted	-	150,000
Animal collection	1	1
<b>TOTAL PROPERTY AND EQUIPMENT, NET</b>	<b>30,274,578</b>	<b>30,674,994</b>
<b>OTHER ASSETS</b>		
Accounts receivable - restricted	-	92,042
Donations pledged - restricted	2,696,770	3,340,180
Other assets	-	2,701
<b>TOTAL OTHER ASSETS</b>	<b>2,696,770</b>	<b>3,434,923</b>
<b>TOTAL ASSETS</b>	<b>\$ 37,304,735</b>	<b>\$ 37,820,063</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 383,572	\$ 300,237
Pledges payable	-	20,000
Accrued liabilities	477,805	870,985
Deferred income	1,868,294	1,690,328
Lines of credit	321,974	1,046,580
Equipment loan	55,688	-
Current portion of long-term debt	783,750	785,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,891,083</b>	<b>4,713,130</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term deferred income	4,362	14,771
Capital lease obligation	-	4,698
Long-term debt, net of current maturities	2,351,250	3,135,000
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,355,612</b>	<b>3,154,469</b>
<b>TOTAL LIABILITIES</b>	<b>6,246,695</b>	<b>7,867,599</b>
<b>NET ASSETS</b>		
Unrestricted		
Board designated	19,890	399,226
Unrestricted	24,687,794	23,145,806
Temporarily restricted	6,350,356	6,407,432
<b>TOTAL NET ASSETS</b>	<b>31,058,040</b>	<b>29,952,464</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 37,304,735</b>	<b>\$ 37,820,063</b>

See independent auditors' report and accompanying notes to financial statements.

**BIRMINGHAM ZOO, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
UNRESTRICTED NET ASSETS		
Support and revenues		
Admissions	\$ 3,500,349	\$ 2,959,774
Auxiliary services	2,511,176	2,011,966
City of Mountain Brook - subsidy	20,000	50,000
City of Birmingham - subsidy	2,080,000	2,080,000
Other municipalities and county support	5,000	17,500
Contributions	431,815	434,943
Interest income	812	1,151
Membership dues	1,477,551	1,257,502
Miscellaneous	30,159	32,769
Program and camp fees	382,053	397,997
Rental income	94,557	73,882
Special events	1,169,463	527,908
In-kind donations	7,500	22,595
	<u>11,710,435</u>	<u>9,867,987</u>
Net assets released from restriction	<u>2,171,921</u>	<u>1,917,170</u>
Total support and revenue	<u>13,882,356</u>	<u>11,785,157</u>
Expenses		
Program services	11,167,203	10,264,640
Supporting services		
Management and general	1,211,061	1,074,522
Fundraising	341,440	340,721
Total expenses	<u>12,719,704</u>	<u>11,679,883</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>1,162,652</u>	<u>105,274</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	2,074,845	3,886,864
In-kind donations	40,000	150,000
Net assets released from restriction - satisfied by payments	<u>(2,171,921)</u>	<u>(1,917,170)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(57,076)</u>	<u>2,119,694</u>
INCREASE IN NET ASSETS	1,105,576	2,224,968
NET ASSETS AT BEGINNING OF YEAR	<u>29,952,464</u>	<u>27,727,496</u>
NET ASSETS AT END OF YEAR	<u>\$ 31,058,040</u>	<u>\$ 29,952,464</u>

See independent auditors' report and accompanying notes to financial statements.

**BIRMINGHAM ZOO, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets	\$ 1,105,576	\$ 2,224,968
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,579,577	1,568,141
Changes in operating assets and liabilities:		
Accounts receivable	117,965	155,794
Donations pledged	409,560	(2,209,042)
Inventories	(1,261)	772
Prepaid expenses and other assets	(71,292)	14,467
Accounts payable	83,335	(39,695)
Pledges payable	(20,000)	(20,000)
Accrued liabilities	(393,180)	514,898
Deferred income	167,557	126,732
CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,977,837</u>	<u>2,337,035</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,179,161)	(2,557,005)
Earnings on certificates of deposit	(22)	(23)
CASH USED FOR INVESTING ACTIVITIES	<u>(1,179,183)</u>	<u>(2,557,028)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments) on lines of credit	(724,606)	1,046,580
Proceeds from capital lease obligation	-	(18,050)
Payments on capital lease obligation	(4,698)	-
Proceeds from equipment loan	55,688	-
Payments on long-term debt	(785,000)	(785,000)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>(1,458,616)</u>	<u>243,530</u>
NET INCREASE IN CASH	340,038	23,537
CASH AT BEGINNING OF YEAR	<u>1,815,215</u>	<u>1,791,678</u>
CASH AT END OF YEAR	<u>\$ 2,155,253</u>	<u>\$ 1,815,215</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 139,217</u>	<u>\$ 147,283</u>

See independent auditors' report and accompanying notes to financial statements.

**BIRMINGHAM ZOO, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Program Services	Management and General	Fundraising	Total 2016	Total 2015
Salaries and wages	\$ 3,551,499	\$ 736,286	\$ 43,311	\$ 4,331,096	\$ 4,150,920
Administration	35,026	-	-	35,026	17,370
Advertising	-	-	7,575	7,575	6,223
Animal acquisitions	7,735	-	-	7,735	18,720
Animal exhibits	388,919	-	-	388,919	88,868
Animal management	515,953	-	-	515,953	469,736
Animal tracks	111,699	-	-	111,699	63,888
Auxiliary services	1,205,237	-	-	1,205,237	1,178,345
Bank and credit card processing fees	18,333	-	-	18,333	14,954
Computer	22,095	122,867	-	144,962	99,095
Conservation	78,071	-	-	78,071	75,952
Continuing education/conventions	18,736	8,248	-	26,984	31,155
Depreciation and amortization	1,434,623	45,304	30,202	1,510,129	1,490,145
Dues and subscriptions	34,224	2,116	-	36,340	41,042
Employee benefits	379,913	78,762	4,634	463,309	456,823
Equipment expense	55,370	36,302	-	91,672	53,661
Equipment rental	17,933	-	5,507	23,440	52,396
Insurance	185,612	-	-	185,612	199,867
Interest	139,217	-	-	139,217	147,283
Legal and accounting	23,220	-	-	23,220	26,619
Marketing	194,585	-	-	194,585	185,534
Miscellaneous	7,329	13,151	-	20,480	9,932
Payroll taxes	267,249	55,405	3,259	325,913	316,917
Postage and printing	9,931	16,844	14,427	41,202	31,491
Professional consultant	-	-	2,386	2,386	14,964
Repairs and maintenance	593,956	-	6,819	600,775	507,738
Security	63,230	11,158	-	74,388	78,417
Signage and graphics	6,758	-	5,470	12,228	15,909
Social and special events	317,572	-	166,907	484,479	357,091
Summer camps and other programs	120,220	-	-	120,220	108,190
Supplies	186,776	34,477	-	221,253	236,554
Taxes and licenses	14,158	17,395	-	31,553	18,538
Travel and meals	22,226	5,770	32,959	60,955	43,165
Uniforms	6,724	-	-	6,724	9,533
Utilities	854,236	26,976	17,984	899,196	817,960
Volunteers	4,804	-	-	4,804	6,436
Waste	274,034	-	-	274,034	238,452
<b>TOTAL EXPENSES</b>	<b><u>\$ 11,167,203</u></b>	<b><u>\$ 1,211,061</u></b>	<b><u>\$ 341,440</u></b>	<b><u>\$ 12,719,704</u></b>	<b><u>\$ 11,679,883</u></b>

See independent auditors' report and accompanying notes to financial statements.

**BIRMINGHAM ZOO, INC.**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Birmingham Zoo, Inc. (BZI), incorporated on May 29, 1999, was established to manage and operate the Birmingham Zoo (Zoo) in the City of Birmingham, Alabama, beginning September 1, 1999. BZI was initially funded by its assumption of all the net assets of the Alabama Zoological Society (AZS), effective September 1, 1999, and by the transfer of all Zoo land and property from the City of Birmingham (City) to BZI. The transfer was executed by an agreement (Agreement) between BZI, the City, and a consortium representing Jefferson County and the cities of Mountain Brook and Homewood (Consortium).

The Agreement represents several separate agreements as follows:

1. A lease assignment and operating agreement, dated September 1, 1999, between the City and BZI that details the various contractual relationships and responsibilities between the two entities. With this agreement, the City leased the Zoo real estate to BZI for a 25-year term (with two 25-year renewable periods) for \$1 per year.
2. An amendment and extension of the above lease, dated July 1, 2009 (Extended Agreement). In connection with the Extended Agreement, the City agreed to contribute \$1,500,000 per year for each of the first 10 years of the term of the amendment, commencing in 2009-2010, to BZI for its operating and capital budgets. For the remaining 15 years of the lease, the City agreed to contribute a minimum of \$500,000 per year to BZI for its operating and capital budgets.
3. An intergovernmental agreement, effective September 1, 1999, to lease adjacent real estate to the Zoo.

BZI is a private, not-for-profit corporation directed by a Board of Directors (Board). The Zoo's purpose is to exhibit animals for the education of visitors, to promote and conduct conservation programs and research studies, and to sponsor educational activities for the community.

Financial Statement Presentation

The financial statements of BZI have been prepared on the accrual basis of accounting.

For financial statement presentation, BZI uses the FASB Accounting Standards Codification (ASC) Topic No. 958 on financial statements of not-for-profit organizations. Under ASC Topic No. 958, BZI reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

## **NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Unrestricted assets are available for the operations of the Zoo. Temporarily restricted net assets are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Zoo pursuant to those stipulations or that expire by the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Zoo. Generally, the donors permit the Zoo to use all or part of the income earned on these assets.

### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, short-term money market accounts, amounts due from banks, and certificates of deposit with an original maturity of three months or less.

### Accounts and Pledges Receivable

Accounts receivable, including client fees, grants, and pledges, are carried at original invoice or pledge amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowances for doubtful accounts by identifying troubled accounts or pledges and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

### Property and Equipment

The leasehold interest conveyed to BZI by the City was recorded at historical cost for real property, while personal property was recorded at historical cost less an estimated amount for depreciation at the date of conveyance. Personal property contributed by the AZS was recorded at the net book value at the date of donation.

Property and equipment are recorded at cost, less accumulated depreciation. The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are generally from 3 to 40 years. Assets acquired under capital leases are recorded at the net present value of the minimum lease payments. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

## **NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### Animal Collection

In accordance with industry practice, BZI's animal collection is recorded at the nominal amount of \$1, as there is no objective basis for establishing value. Additionally, the animal collection has numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Acquisitions are recorded as expenditures of the related operating activity. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the Zoo shares animals with other organizations. Consistent with industry practice, the Zoo does not record any liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

### Income Taxes

BZI qualifies as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and similar Alabama law and is not subject to income taxes.

BZI has adopted accounting standards relating to uncertainty of income tax positions. As a result of this adoption management assessed whether there were any uncertain tax positions that may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. BZI files Form 990 in the U.S. federal jurisdiction. With few exceptions, BZI is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2014.

### Donations and Bequests

Donations with donor-imposed restrictions are reported as temporarily or permanently restricted revenue. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction.

### Auxiliary Services

BZI's auxiliary activities include retail and food operations, transportation operations, and other similar support activities.

### Use of Estimates

Management of BZI has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses, the disclosure of contingent assets and liabilities to prepare these financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Evaluation of Subsequent Events

BZI has evaluated all subsequent events through April 12, 2017, which is the date the financial statements were available to be issued and concluded no events or transactions occurred during the period requiring recognition or disclosure.

**NOTE 2 – RESTRICTED ASSETS**

Restricted assets at December 31, 2016 and 2015, respectively, consist of cash, certificates of deposit, and interfund receivables / (payables) restricted for the following purposes:

	2016	2015
Restricted Cash - Elephant Trails Capital Project	\$ -	\$ 4,447
Restricted Cash – Front Entrance	1,869,052	1,088,415
Restricted Cash – Bear Exhibit	-	40,354
Restricted Cash – AHC Medical Equipment	-	7,103
Restricted Cash – Tails in the Trails	37,013	-
Restricted Cash – Golden Eagle	956	-
Restricted Cash - Conservation	15,254	-
Restricted Cash – Zoo School	-	85,192
	<u>\$ 1,922,275</u>	<u>\$ 1,225,511</u>
Interfund receivable/(payable)- restricted – Front Entrance	\$ (50)	\$ -
Interfund receivable/(payable)- restricted – Golden Eagle	1,425	-
Interfund receivable/(payable)- restricted – Conservation	28,590	-
	<u>\$ 29,965</u>	<u>\$ -</u>
Certificates of deposit - restricted – Endowments	<u>\$ 22,465</u>	<u>\$ 22,443</u>

**NOTE 3 – DONATIONS PLEDGED**

Donations of private support are recorded as revenue upon the receipt of the unconditional promise to give. Donations pledged are expected to be collected as follows:

	2016	2015
Within one year - current	<u>\$ 1,768,506</u>	<u>\$ 1,534,656</u>
Within two through five years	3,043,572	3,711,758
Unamortized discount	(320,159)	(336,639)
Allowance for doubtful accounts	<u>(30,643)</u>	<u>(30,643)</u>
Within two through five years – long term	<u>\$ 2,696,770</u>	<u>\$ 3,340,180</u>

Donations and bequests pledged that are expected to be collected in more than one year have been recorded at net present value, calculated using a discount rate of 3.25% and 2.75% for years ending December 31, 2016 and 2015, respectively.

#### **NOTE 4 – PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
Buildings and improvements	\$ 24,522,784	\$ 23,583,389
Land and improvements	13,759,611	13,732,562
Machinery and equipment	3,411,400	3,260,498
Computers and accessories	784,662	784,662
Vehicles	336,800	313,077
Furniture and fixtures	414,524	414,524
Zoolights equipment	79,742	79,742
Construction in progress - unrestricted	3,774,647	3,586,556
Construction in progress - restricted	-	<u>150,000</u>
	<u>47,084,170</u>	<u>45,905,010</u>
Less accumulated depreciation	<u>(16,809,593)</u>	<u>(15,230,017)</u>
Net property and equipment	<u>\$ 30,274,577</u>	<u>\$ 30,674,993</u>

#### **NOTE 5 – PLEDGES PAYABLE**

BZI made promises to give to two organizations, and the combined total of these pledges was \$20,000 and reported as pledges payable on the statements of financial position at December 31, 2015. There was no pledges payable at December 31, 2016.

#### **NOTE 6 – LINE OF CREDIT**

BZI had two lines of credit with Wells Fargo Bank. One is in the amount of \$2,000,000 bearing interest at the prime rate of the lender (3.50% at December 31, 2016 and 2015). The outstanding balance on this line of credit at December 31, 2016 and 2015 was \$321,974 and \$846,580, respectively. The second line of credit matured in October 2016, bore interest at a fixed rate of 2.85% and had a balance of \$0 and \$200,000 at December 31, 2016 and 2015. This line of credit was not renewed by BZI. The line of credit agreements contain financial loan covenants which BZI was in compliance with at December 31, 2016 and 2015.

#### **NOTE 7 – EQUIPMENT LOAN**

In December 2016, BZI obtained an equipment loan from EverBank for short term financing of a GI Endoscopy machine for examination of the animals. The loan is for 12 months, interest free. At December 31, 2016, the balance on the loan was \$55,688 and expected to be paid in full in 2017.

## NOTE 8 – LONG-TERM DEBT

The long-term debt agreement contains financial loan covenants which include a debt coverage ratio which BZI was in compliance with at December 31, 2016 and 2015. Long-term debt consisted of the following at December 31:

	2016	2015
Long term debt to Wells Fargo Bank to finance the construction of the Trails of Africa exhibit. Interest is fixed at 3.25%. The annual principal payments of \$783,750 are due in April of each year, with the balance due in April 2020.	\$ 3,135,000	\$ 3,920,000
Less current portion of long-term debt	<u>(783,750)</u>	<u>(785,000)</u>
Long-term debt	<u>\$ 2,351,250</u>	<u>\$ 3,135,000</u>

Future maturities of long-term debt are as follows for the years ending December 31:

2017	\$ 783,750
2018	783,750
2019	783,750
2020	<u>783,750</u>
	<u>\$ 3,135,000</u>

## NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

A portion of BZI's net assets is subject to donor restrictions for various uses or is restricted with respect to time. Occasionally, donors will restrict donations and bequests for capital improvement purposes, but not to specific projects, in which case the Board will designate for which project the donated funds will be used. Net assets are released from donor restrictions when expenses are incurred which satisfy the restricted purposes or by occurrence of other events specified by the donor. During 2016, activity within temporarily restricted net assets was as follows:

	December 31, 2015	Temporarily Restricted Contributions	Net Assets Released From Restriction	December 31, 2016
Bear Exhibit	\$ 250,949	\$ -	\$ (250,949)	\$ -
Endowment	22,443	-	22	22,465
Zoo School	85,192	-	(85,192)	-
Front Entrance	6,016,263	1,781,034	(1,552,644)	6,244,653
Conservation Grants and Gifts	-	133,847	(90,003)	43,844
AHC Medical Equipment	7,103	131,573	(138,676)	-
Golden Eagle	-	9,470	(7,089)	2,381
Tails in the Trails	-	52,159	(15,146)	37,013
Special Exhibits and Sponsorships	<u>25,482</u>	<u>6,762</u>	<u>(32,244)</u>	<u>-</u>
	<u>\$ 6,407,432</u>	<u>\$ 2,114,845</u>	<u>\$ (2,171,921)</u>	<u>\$ 6,350,356</u>

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## NOTE 10 – PENSION PLAN

BZI has a 401(k) defined contribution retirement plan that covers substantially all of its full-time employees. A participant may contribute to the plan up to the IRS limitations. BZI may make discretionary matching contributions to the plan, as directed by the Board. For the years ended December 31, 2016 and 2015, BZI did not make matching contributions to the Plan.

## NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, defines fair value 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 between market participants on the measurement date. The guidance enables the reader of the financial statements to assess the inputs used to develop fair value measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. 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). There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

FASB ASC 820 requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Inputs consist of unadjusted quoted prices for identical assets in active markets that the plan has the ability to access.

Level 2 – Inputs consist of 1) quoted prices for similar assets in active markets, 2) quoted prices for identical or similar assets in inactive markets, 3) inputs other than quoted prices that are observable, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term.

## NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Level 3 – Inputs consist of unobservable inputs where there is little or no market activity, and the reporting entity makes estimates and assumptions related to the pricing of the asset including assumptions regarding risk.

The following methods and assumptions were used by BZI in estimating the fair value of its financial instruments:

- (a) Cash and Cash Equivalents – Fair value equals carrying value of such assets due to short-term maturities of these instruments.
- (b) Pledges Receivable – Fair value equals the discounted present value using BZI's incremental borrowing rate.

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. Although BZI 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. There have been no changes in the valuation techniques used by BZI during the year ended December 31, 2016.

## NOTE 12 – COMMITMENT AND CONTINGENCY

BZI leases equipment under operating leases. The following is a schedule of the future minimum lease obligations at December 31:

2017	\$ 26,376
2018	21,882
2019	15,053
2020	3,900
2021	<u>2,275</u>
Total	<u>\$ 69,486</u>

Operating lease expense for the years ended December 31, 2016 and 2015 was \$27,950 and \$18,027, respectively.

## NOTE 13 – CONCENTRATIONS

BZI maintains cash and cash equivalent accounts in financial institutions, which from time to time may exceed federally insured amounts.

#### **NOTE 14 – LEASEHOLD INTEREST**

The City, directly or indirectly by the Park Board, has conveyed to BZI a leasehold interest in all real and personal property of the Zoo (see Note 1) for the purpose of operating, maintaining, or improving the Zoo. Title to the leasehold properties remains with the City or the Park Board, but is subject to BZI's rights as a lessee. BZI has the right to make additions, deletions, and modifications and changes to the properties as required for the proper operation and maintenance of the Zoo. BZI has the right to pledge the City leasehold properties as security for obtaining financing, as needed for purposes of operation and development of the Zoo.

Also, BZI may acquire, sell, borrow, loan, and transfer or convey animals as considered reasonable and proper, in the circumstances, for the operation, maintenance and development of the Zoo. All property additions and improvements are included in the leasehold, with title remaining with the City or Park Board. Notwithstanding the City's or Park Board's title to the properties, all the real and personal property included in the leasehold interest are recorded in the financial statements to reflect BZI's accountability for the properties.

#### **NOTE 15 – RELATED PARTY TRANSACTIONS**

BZI receives donations from employees and entities in which certain board members serve in some capacity. These donations represent \$132,100 and \$248,633 in pledge receivables at December 31, 2016 and 2015.

#### **NOTE 16 – CONTRIBUTED MATERIALS AND SERVICES**

BZI records in-kind contributions in accordance with the Financial Accounting Standards Board Codification section of Revenue Recognition for Not-for-Profit Entities. This pronouncement requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in additions to property and equipment.

BZI receives a significant amount of contributed time (over 31,500 volunteer hours per year) from volunteers, members and officers of the Board which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

#### **NOTE 17 – POTENTIAL FUTURE CAPITAL FUNDING**

In May 2014, the City of Birmingham passed a resolution to express its intent to make capital improvements of an aggregate expected cost of approximately \$7,500,000 at the Zoo consisting generally of an upgrade and renovation to the Zoo entrance. The City of Birmingham will issue tax-exempt bonds to help fund the construction project. This resolution does not bind the City to make any expenditure, incur indebtedness or proceed with the Zoo capital improvements, although it is the City's intent to do so. Therefore, the Zoo did not recognize this "intent to give" as revenue as of December 31, 2016 and will reevaluate the recognition of this transaction at the end of 2017, or when a legal binding agreement has been reached between the City of Birmingham and the Birmingham Zoo.

#### **NOTE 18 – RECLASSIFICATIONS**

Certain reclassifications have been made to the 2015 financial statements in order for them to comply with the current year format. Net assets remained unchanged.

**SUPPLEMENTARY INFORMATION**

**BIRMINGHAM ZOO, INC.**  
**SCHEDULES OF AUXILIARY SERVICES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>REVENUES</b>		
Food and beverage	\$ 344,418	\$ 295,875
Gift shop	239,669	180,486
Train, carousel and other rides	1,569,381	1,189,321
Camel rides	122,225	127,256
Animal feeding income	146,750	133,224
Zip line	34,003	35,995
Stroller/wheelchair rental	-	46
Hurricane machine income	5,052	-
Vending machine income	49,678	49,763
Total revenue	<u>2,511,176</u>	<u>2,011,966</u>
 <b>COST OF SALES</b>	 <u>121,022</u>	 <u>113,772</u>
 <b>GROSS PROFIT</b>	 2,390,154	 1,898,194
 <b>EXPENSES</b>		
Salaries and wages	590,604	566,035
Bank and credit card fees	140,915	101,738
Computer	6,619	495
Depreciation	69,448	77,996
Employee benefits	63,178	62,294
Equipment	-	16,895
Fuel	8,834	9,017
Payroll taxes	44,443	43,216
Repairs and maintenance	26,177	46,765
Signage, postage and printing	4,014	17,726
Supplies	17,300	14,530
Travel and meals	1,546	6,770
Utilities	111,137	101,096
Total expenses	<u>1,084,215</u>	<u>1,064,573</u>
 <b>NET AUXILIARY SERVICES</b>	 <u>\$ 1,305,939</u>	 <u>\$ 833,621</u>

See independent auditors' report and accompanying notes to financial statements.