

RED RIVER ZOOLOGICAL SOCIETY

FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

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FIEBIGER ■ SWANSON ■ WEST
& Co., PLLP
CPAs & Consultants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

September 26, 2016

To the Board of Directors of
Red River Zoological Society

We have reviewed the accompanying financial statements of Red River Zoological Society (a non-profit organization), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The supplementary information appearing on pages 18 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Fiebiger, Swanson, West & Co., PLLP

FIEBIGER, SWANSON, WEST & CO., PLLP
Certified Public Accountants

RED RIVER ZOOLOGICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2016 AND 2015

<u>Assets</u>		
	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 101,327	\$ 107,717
Restricted Cash	40,000	216,500
Current Portion of Pledges Receivable	25,000	36,396
Inventory	21,469	11,136
Prepaid Expenses	16,958	16,280
	<u>204,754</u>	<u>388,029</u>
Total Current Assets	\$ 204,754	\$ 388,029
Investments	\$ 93,592	\$ 70,322
Pledges Receivable, Net of Unamortized Discount and Net of Current Portion Shown Above	106,637	92,828
Property and Equipment, Net	<u>3,739,030</u>	<u>3,503,485</u>
Total Assets	<u>\$ 4,144,013</u>	<u>\$ 4,054,664</u>
<u>Liabilities and Net Assets</u>		
	<u>2016</u>	<u>2015</u>
Current Liabilities:		
Accounts Payable	\$ 39,477	\$ 35,218
Accrued Liabilities:		
Salaries	19,102	11,098
Other	23,097	12,188
Payroll Taxes	1,391	5,346
Sales Taxes	937	1,318
Bank Line of Credit	50,000	0
	<u>134,004</u>	<u>65,168</u>
Total Current Liabilities	\$ 134,004	\$ 65,168
Net Assets:		
Unrestricted	\$ 3,470,122	\$ 3,300,522
Temporarily Restricted	171,637	345,724
Permanently Restricted	368,250	343,250
	<u>4,010,009</u>	<u>3,989,496</u>
Total Net Assets	\$ 4,010,009	\$ 3,989,496
Total Liabilities and Net Assets	<u>\$ 4,144,013</u>	<u>\$ 4,054,664</u>

See accompanying notes and independent accountants' review report

RED RIVER ZOOLOGICAL SOCIETY

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and Other Support:				
Admissions	\$ 426,127	\$ 0	\$ 0	\$ 426,127
Contributions	38,829	233,807	25,000	297,636
Membership Fees	217,909	0	0	217,909
Gift Shop and Concession				
Income, Net	80,028	0	0	80,028
Special Events, Net	210,368	0	0	210,368
Rental Income, Net	21,250	0	0	21,250
In-Kind Donations	90,475	0	0	90,475
Miscellaneous Income	60,645	0	0	60,645
Grant Income	46,709	0	0	46,709
Change in Unrealized Gain (Loss) on Investments	(2,616)	0	0	(2,616)
Net Assets Released From Restrictions	407,894	(407,894)	0	0
Total Revenue and Other Support	\$ 1,597,618	\$ (174,087)	\$ 25,000	\$ 1,448,531
Functional Expenses:				
Program Services:				
Facility Operation	\$ 1,043,488	\$ 0	\$ 0	\$ 1,043,488
Supporting Services:				
Management and General	302,610	0	0	302,610
Fundraising	81,920	0	0	81,920
Total Functional Expenses	\$ 1,428,018	\$ 0	\$ 0	\$ 1,428,018
Change in Net Assets	\$ 169,600	\$ (174,087)	\$ 25,000	\$ 20,513
Net Assets, Beginning of Year	3,300,522	345,724	343,250	3,989,496
Net Assets, End of Year	\$ 3,470,122	\$ 171,637	\$ 368,250	\$ 4,010,009

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 411,970	\$ 0	\$ 0	\$ 411,970
46,486	288,615	10,000	345,101
195,877	0	0	195,877
68,021	0	0	68,021
178,237	0	0	178,237
24,739	0	0	24,739
169,528	0	0	169,528
63,553	0	0	63,553
45,048	0	0	45,048
2,159	0	0	2,159
113,708	(113,708)	0	0
<u>\$ 1,319,326</u>	<u>\$ 174,907</u>	<u>\$ 10,000</u>	<u>\$ 1,504,233</u>
\$ 886,797	\$ 0	\$ 0	\$ 886,797
345,097	0	0	345,097
56,610	0	0	56,610
<u>\$ 1,288,504</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,288,504</u>
\$ 30,822	\$ 174,907	\$ 10,000	\$ 215,729
3,269,700	170,817	333,250	3,773,767
<u>\$ 3,300,522</u>	<u>\$ 345,724</u>	<u>\$ 343,250</u>	<u>\$ 3,989,496</u>

See accompanying notes and independent accountants' review report

RED RIVER ZOOLOGICAL SOCIETY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash Received from Revenue and Other Support	\$ 1,357,373	\$ 1,290,574
Cash Paid for Goods and Services	(1,156,095)	(942,739)
Cash Paid for Interest	0	(195)
Net Cash Flows From Operating Activities	\$ 201,278	\$ 347,640
Cash Flows From Investing Activities:		
Purchase Property and Equipment	\$ (409,168)	\$ (112,219)
Purchase Investments	(25,000)	(68,163)
Net Cash Flows From Investing Activities	\$ (434,168)	\$ (180,382)
Cash Flows From Financing Activities:		
Proceeds from Issuance of Line of Credit	\$ 50,000	\$ 0
Principal Payments on Bank Line of Credit	0	(30,000)
Principal Payments on Long-Term Debt	0	(3,233)
Change in Restricted Cash	176,500	(74,996)
Net Cash Flows From Financing Activities	\$ 226,500	\$ (108,229)
Change in Cash	\$ (6,390)	\$ 59,029
Cash, Beginning of Year	107,717	48,688
Cash, End of Year	\$ 101,327	\$ 107,717

See accompanying notes and independent accountants' review report

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Red River Zoological Society (Organization) is a not-for-profit organization located in Fargo, ND, organized for the purpose of establishing and operating a regional zoo and discovery center; acquiring and exhibiting animals and items of interest in the natural sciences for the education, recreation, and cultural appreciation of the public; and for scientific study, animal rehabilitation, and conservation. The Organization's support comes primarily from membership fees, admissions, donations, and gift shop and concession income.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If restrictions are satisfied during the same fiscal year of the gift, the entire transaction is reported as unrestricted.

Permanently restricted net assets – Net assets subject to donor-imposed stipulation that the principal not be used, but investment earnings are available for programs or administration.

Estimates – The preparation of financial statements in conformity with 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.

Inventory – Inventory consists of items for sale in the gift shop which are valued at the lower of cost or market determined by the first-in, first-out method.

Accounts Receivable – Revenues are recognized at the time the service is rendered at the amount expected to be received from the businesses or third party payers. The Organization does not assess interest on past due amounts. All trade receivables serve as collateral on the Organization's bank line of credit. The Organization uses the allowance method to account for bad debts. Allowances are established based upon management estimates of the collectability of the accounts and review of past collection experience. Receivables are written off as a charge to the allowance for doubtful accounts when, in management's estimation, it is probable that the receivable is worthless.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows, discounted at the rate used when the pledge was initially recognized. The discount rate used on long-term pledges was 4.25% for 2016.

The Organization estimates the allowance for uncollectible pledges based on the age of past due accounts. As of March 31, 2016 and 2015 no allowance for uncollectible pledges was considered necessary as management considers all pledges receivable to be fully collectible. All pledges receivable serve as collateral on the Organization's bank line of credit.

Investment Policies – Donations of stocks and other securities are sold and converted to cash as soon as they are received. Occasionally there are time delays between the date when the stock is gifted and when it is sold, resulting in gain or loss on investments. There were no such gains for the years ended March 31, 2016 and 2015.

Property and Equipment – Property and equipment are capitalized at cost and include additions and improvements that extend the useful lives of the assets. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,500. Lesser amounts, as well as repairs and maintenance, are charged to expense as incurred. Property and equipment are being depreciated over estimated useful lives ranging from five to thirty-nine years using a straight-line method.

Donations of property and equipment are recorded as support at their estimated fair market value on the date they are received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies temporarily restricted net assets at that time.

Donated Services and Materials – Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization receives donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities because the criteria for recognition under GAAP have not been met.

Donations of materials, facilities, equipment, and other non-monetary items, including purchases by the Organization at prices significantly less than fair value, are recorded at fair value when the value is reasonably determinable for the asset received.

Fundraising Costs – Fundraising costs consist of various amounts paid for donor receptions and other special events, recognition plaques for exhibit sponsors, significant donors, and corporate sponsors, and salaries and wages allocated to fundraising activities. Amounts paid for fundraising expenses totaled \$81,920 and \$56,610 for the years ended March 31, 2016 and 2015, respectively.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising – Advertising costs are expensed as incurred and totaled \$32,392 and \$49,404 for the years ended March 31, 2016 and 2015, respectively. These amounts include advertising costs that were donated to the Organization.

Animal Collections – In accordance with customary practice among zoological organizations, the Organization shares animals with other organizations and does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration. Expenditures related to animal acquisitions are expensed in the period of acquisition.

Subsequent Events – The Organization has evaluated subsequent events through September 26, 2016, which is the date the financial statements were available to be issued.

NOTE 2 RESTRICTED CASH

Restricted cash consists of cash on deposit in banks that is restricted by donors for specific purposes.

NOTE 3 INVESTMENTS

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of activities. Costs and fair values of investments at March 31 are as follows:

	Cost	Gross Unrealized Gains (Losses)	Fair Value
<u>2016</u>			
Money Market	\$ 2,263	\$ 0	\$ 2,263
Exchange-Traded Funds	91,786	(457)	91,329
Total	<u>\$ 94,049</u>	<u>\$ (457)</u>	<u>\$ 93,592</u>
<u>2015</u>			
Money Market	\$ 2,284	\$ 0	\$ 2,284
Exchange-Traded Funds	65,879	2,159	68,038
Total	<u>\$ 68,163</u>	<u>\$ 2,159</u>	<u>\$ 70,322</u>

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 4 FAIR VALUE MEASUREMENT

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritized 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 under the authoritative guidance as described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has 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 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 following is a description of the valuation methodology used for assets measured at fair value on a recurring basis. There have been no changes in the methodology used at March 31, 2016.

Exchange-Traded Funds – Valued based on the quoted market prices for publically traded securities in an active market.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the Organization's fair value hierarchy of assets measured at fair value on a recurring basis:

	Assets at Fair Value at March 31,			
	Level 1	Level 2	Level 3	Total
<u>2016</u>				
Money Market	\$ 2,263	\$ 0	\$ 0	\$ 2,263
Exchange-Traded Funds				
Bond	35,158	0	0	35,158
Large Blend	28,471	0	0	28,471
Mid Blend	14,426	0	0	14,426
Small Blend	9,365	0	0	9,365
Emerging Markets	3,909	0	0	3,909
Total Assets at Fair Value	\$ 93,592	\$ 0	\$ 0	\$ 93,592
<u>2015</u>				
Money Market	\$ 2,284	\$ 0	\$ 0	\$ 2,284
Exchange-Traded Funds				
Bond	25,447	0	0	25,447
Large Blend	20,852	0	0	20,852
Mid Blend	11,279	0	0	11,279
Small Blend	7,476	0	0	7,476
Emerging Markets	2,984	0	0	2,984
Total Assets at Fair Value	\$ 70,322	\$ 0	\$ 0	\$ 70,322

Gains and losses (realized and unrealized) included in net income for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Total gains (losses) included in net assets for the year	\$ (1,730)	\$ 2,818
Change in unrealized gains (losses) relating to assets still held at year end	\$ (2,616)	\$ 2,159

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 5 PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give as of March 31, 2016 and 2015:

	2016	2015
Pledges Receivable	\$ 140,000	\$ 136,396
Less: Unamortized Discount (at 4.25%)	8,363	7,172
Net Pledges Receivable	\$ 131,637	\$ 129,224
Less: Current Portion	25,000	36,396
Long-Term Portion	\$ 106,637	\$ 92,828
Amounts Due In:		
Less than One Year	\$ 25,000	\$ 36,396
One to Five Years	115,000	100,000
Total	\$ 140,000	\$ 136,396

Pledges receivable are from businesses and individuals located primarily in the Fargo, ND and Moorhead, MN area.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment are composed of the following at March 31:

	2016	2015
Buildings and Land Improvements	\$ 3,248,465	\$ 3,237,910
Exhibits	1,260,252	1,257,845
Construction in Progress	406,468	19,476
Carousel	275,750	275,750
Leasehold Improvements	231,422	231,422
Furniture, Fixtures, and Equipment	128,848	159,262
Transportation Equipment	112,841	109,441
Total	\$ 5,664,046	\$ 5,291,106
Less: Accumulated Depreciation	1,925,016	1,787,621
Property and Equipment, Net	\$ 3,739,030	\$ 3,503,485

Depreciation expense for the years ended March 31, 2016 and 2015 totaled \$189,023 and \$179,626, respectively.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 7 BANK LINE OF CREDIT

The Organization has a variable interest (currently at 4.50%) \$200,000 line of credit at Bremer Bank expiring September 3, 2016. The line of credit is secured by essentially all business assets. As of March 31, 2016 and 2015, the balance outstanding was \$50,000 and \$0, respectively.

NOTE 8 NET ASSET RESTRICTIONS

Permanently restricted net assets consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Carousel	\$ 275,750	\$ 275,750
Endowment	<u>92,500</u>	<u>67,500</u>
Total	<u>\$ 368,250</u>	<u>\$ 343,250</u>

The carousel was donated to the Organization in 1997 and had a fair market value at the time of the donation of \$215,750. An additional \$60,000 was spent on renovations to the carousel in 2004. The carousel is to be held indefinitely with the stipulation that the Organization has proper housing for it, and at least ten percent of the carousel revenues be used for maintenance of the carousel and carousel building. The Organization also has the future option to establish a separate foundation for it.

See Note 10 for detail about the Organization's endowment.

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Operating Fund Pledges, Net of Unamortized Discount	\$ 131,637	\$ 119,224
X-Ray Machine	35,000	0
Leopard and Tiger Exhibit	5,000	5,000
Children's Zoo	0	211,500
Endowment Pledges, Net of Unamortized Discount	<u>0</u>	<u>10,000</u>
Total	<u>\$ 171,637</u>	<u>\$ 345,724</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Net assets reclassified for March 31, 2016 and 2015 were \$311,500 and \$113,708, respectively.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 9 ENDOWMENTS

The State of North Dakota adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 31, 2009. GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA.

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Organization has interpreted the North Dakota Uniform Prudent Management of Institutional Funds Act (NDUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets as all proceeds from the endowment are to provide financial support in furtherance of the Organization's mission.

In accordance with NDUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization 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 Organization; and
- (7) The investment policies of the Organization.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 9 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of March 31 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, April 1, 2014	\$ 4	\$ 9,698	\$ 57,500	\$ 67,202
Endowment Pledge Activity:				
Change in Discount on Pledges	0	302	0	302
Investment Income	2,818	0	0	2,818
Contributions	0	0	10,000	10,000
Endowment Net Assets, March 31, 2015	\$ 2,822	\$ 10,000	\$ 67,500	\$ 80,322
Endowment Pledge Activity:				
Payments Received on Pledges	0	(9,998)	0	(9,998)
Change in Discount on Pledges	0	(2)	0	(2)
Investment Loss	(1,730)	0	0	(1,730)
Contributions	0	0	25,000	25,000
Endowment Net Assets, March 31, 2016	<u>\$ 1,092</u>	<u>\$ 0</u>	<u>\$ 92,500</u>	<u>\$ 93,592</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NDUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of March 31, 2016.

Return Objectives and Risk Parameters – The Organization has adopted investment and spending policies for endowment assets to achieve growth in principal value while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). The Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Spending Policy – The Organization has a policy of appropriating for distribution each year 4 to 6 percent of the endowment fund’s average fair value over a period of not less than three years immediately preceding the year in which appropriation for expenditure is to be made. The Organization shall not appropriate for expenditure in any year an amount greater than 7%. Distributions shall be made no later than the second fiscal year following the initial gift to the endowment fund, subject to the expenditure guidelines set forth. No amounts were distributed from the endowment funds during the years ended March 31, 2016 and 2015.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 9 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives – The assets will be managed on a total return basis. While the Organization recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in the Organization's best interest on a risk-adjusted basis. Risk management of the investment program is focused on understanding both the investment and operational risks to which the Organization is exposed. The objective is to minimize the operational risks for which the Organization is willing to accept.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Organization entered into a land lease agreement with the Park District of the City of Fargo in October 1996. The lease agreement is for a period of 99 years, at a cost of \$100 per year. The lease conditions restrict the Organization's use of the premises to construction, maintenance, and operation of a zoo and require, among other things, that the Organization carry a comprehensive general liability insurance policy with a single limit of not less than \$5,000,000.

The Organization has entered into a local fountain beverage agreement for the vendor to serve as the sole, exclusive, and official beverage supplier, distributor, and advertiser of the Organization. The agreement was renewed on February 29, 2016 and will terminate on February 28, 2021. The agreement provides for pricing of specific products with a maximum annual adjustment of 4.5%.

The Organization has entered into an advertising agreement with the City of Moorhead, Minnesota (City), commencing June 15, 2013. Under the agreement, the City will provide advertising on a bus in exchange for a dollar-for-dollar match in sponsorships at the zoo. The value of the agreement is estimated at \$1,000 per month. In-kind revenue and expense recognized under this agreement totaled \$12,000 for both years ended March 31, 2016 and 2015 and is included in in-kind donations and advertising expense on the statements of activities. The City has the right to cancel the agreement by providing five days written notice for any breach by the Organization.

From time to time, the Organization has assets on deposit in financial institutions in excess of federally insured limits.

NOTE 11 TAX EXEMPT STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 57-38-09 of the North Dakota Century Code.

According to GAAP, the Organization is required to record a liability for uncertain tax positions when it is more than likely that a loss has been incurred and the amount can be reasonably estimated. As of March 31, 2016, no such liability existed. Management will continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

The Company files Form 990 information returns in the U.S. federal jurisdiction.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 12 GIFTS IN-KIND

The Organization benefitted from the following in-kind donations during the years ended March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Animal Donations and Exhibits	\$ 22,245	\$ 0
Advertising	22,125	39,214
Tools and Equipment	19,354	35,606
Veterinary Services	14,341	65,000
Supplies	6,574	1,287
Animal Feed	3,160	20,905
Miscellaneous	2,601	2,470
Printing	75	0
Auction Items	0	3,950
Electrician Services	0	1,096
	<u>0</u>	<u>1,096</u>
Total	<u>\$ 90,475</u>	<u>\$ 169,528</u>

These amounts have been reported as in-kind donation or special events, net revenue and either in-kind or advertising expense on the statements of activities or transportation equipment on the statements of financial position.

NOTE 13 DEFINED CONTRIBUTION PLAN

In August 2010, the Organization started a SIMPLE IRA defined contribution plan covering all employees who have earned at least \$5,000 in the prior two years and have at least three years of service. The Organization matches employee contributions up to 2% of the participants' compensation. Total expenses for the years ended March 31, 2016 and 2015, were \$2,907 and \$2,736, respectively.

RED RIVER ZOOLOGICAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

NOTE 14 STATEMENTS OF CASH FLOWS

Accounting Policy – The Organization is including its checking accounts as cash in these statements. There are no other highly liquid investments which are considered cash equivalents.

Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:

	<u>2016</u>	<u>2015</u>
Change in Net Assets	\$ 20,513	\$ 215,729
Reconciling Items:		
Depreciation	189,023	179,626
Noncash Donation of Property and Equipment	(15,400)	(35,000)
Realized Gain on Investments	(886)	0
Change in Unrealized (Gain) Loss on Investments	2,616	(2,159)
Changes in Assets and Liabilities:		
Accounts Receivable	0	435
Pledges Receivable	(2,413)	(42,407)
Inventory	(10,333)	1,769
Prepaid Expenses	(678)	(1,958)
Accounts Payable	4,259	19,012
Accrued Liabilities	14,577	12,593
	<u>201,278</u>	<u>347,640</u>
Net Cash Flows From Operating Activities	<u>\$ 201,278</u>	<u>\$ 347,640</u>

During 2016, the Organization received a noncash donation of equipment valued at \$15,400. During 2015, the Organization received a noncash donation of equipment valued \$35,000.

RED RIVER ZOOLOGICAL SOCIETY

STATEMENT OF FINANCIAL POSITION BY FUND

MARCH 31, 2016

	<u>Assets</u>				Total
	Operating Fund	Carousel Fund	Restricted Fund	Endowment Fund	
Current Assets:					
Cash	\$ 101,327	\$ 0	\$ 0	\$ 0	\$ 101,327
Restricted Cash	0	0	40,000	0	40,000
Current Portion of Pledges Receivable	25,000	0	0	0	25,000
Inventory	21,469	0	0	0	21,469
Prepaid Expenses	16,958	0	0	0	16,958
Total Current Assets	\$ 164,754	\$ 0	\$ 40,000	\$ 0	\$ 204,754
Investments	\$ 0	\$ 0	\$ 0	\$ 93,592	\$ 93,592
Pledges Receivable, Net of Unamortized Discount and Net of Current Portion Shown Above	106,637	0	0	0	106,637
Property and Equipment, Net	3,463,280	275,750	0	0	3,739,030
Total Assets	\$ 3,734,671	\$ 275,750	\$ 40,000	\$ 93,592	\$ 4,144,013

<u>Liabilities and Net Assets</u>					
	<u>Operating Fund</u>	<u>Carousel Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Current Liabilities:					
Accounts Payable	\$ 39,477	\$ 0	\$ 0	\$ 0	\$ 39,477
Accrued Liabilities:					
Salaries	19,102	0	0	0	19,102
Other	23,097	0	0	0	23,097
Payroll Taxes	1,391	0	0	0	1,391
Sales Taxes	937	0	0	0	937
Bank Line of Credit	50,000	0	0	0	50,000
Total Current Liabilities	\$ 134,004	\$ 0	\$ 0	\$ 0	\$ 134,004
Net Assets:					
Unrestricted	\$ 3,469,030	\$ 0	\$ 0	\$ 1,092	\$ 3,470,122
Temporarily Restricted	131,637	0	40,000	0	171,637
Permanently Restricted	0	275,750	0	92,500	368,250
Total Net Assets	\$ 3,600,667	\$ 275,750	\$ 40,000	\$ 93,592	\$ 4,010,009
Total Liabilities and Net Assets	\$ 3,734,671	\$ 275,750	\$ 40,000	\$ 93,592	\$ 4,144,013

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RED RIVER ZOOLOGICAL SOCIETY

STATEMENT OF FINANCIAL POSITION BY FUND

MARCH 31, 2015

	<u>Assets</u>				Total
	Operating Fund	Carousel Fund	Restricted Fund	Endowment Fund	
Current Assets:					
Cash	\$ 107,717	\$ 0	\$ 0	\$ 0	\$ 107,717
Restricted Cash	0	0	216,500	0	216,500
Current Portion of					
Pledges Receivable	26,396	0	0	10,000	36,396
Inventory	11,136	0	0	0	11,136
Prepaid Expenses	16,280	0	0	0	16,280
Total Current Assets	<u>\$ 161,529</u>	<u>\$ 0</u>	<u>\$ 216,500</u>	<u>\$ 10,000</u>	<u>\$ 388,029</u>
Restricted Cash	\$ 0	\$ 0	\$ 0	\$ 70,322	\$ 70,322
Pledges Receivable, Net of Unamortized Discount and Net of Current Portion Shown Above	92,828	0	0	0	92,828
Property and Equipment, Net	<u>3,227,735</u>	<u>275,750</u>	<u>0</u>	<u>0</u>	<u>3,503,485</u>
Total Assets	<u><u>\$ 3,482,092</u></u>	<u><u>\$ 275,750</u></u>	<u><u>\$ 216,500</u></u>	<u><u>\$ 80,322</u></u>	<u><u>\$ 4,054,664</u></u>

<u>Liabilities and Net Assets</u>					
	<u>Operating Fund</u>	<u>Carousel Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
Current Liabilities:					
Accounts Payable	\$ 35,218	\$ 0	\$ 0	\$ 0	\$ 35,218
Accrued Liabilities:					
Salaries	11,098	0	0	0	11,098
Other	12,188	0	0	0	12,188
Payroll Taxes	5,346	0	0	0	5,346
Sales Taxes	1,318	0	0	0	1,318
Bank Line of Credit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 65,168</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,168</u>
Net Assets:					
Unrestricted	\$ 3,297,700	\$ 0	\$ 0	\$ 2,822	\$ 3,300,522
Temporarily Restricted	119,224	0	216,500	10,000	345,724
Permanently Restricted	<u>0</u>	<u>275,750</u>	<u>0</u>	<u>67,500</u>	<u>343,250</u>
Total Net Assets	<u>\$ 3,416,924</u>	<u>\$ 275,750</u>	<u>\$ 216,500</u>	<u>\$ 80,322</u>	<u>\$ 3,989,496</u>
Total Liabilities and Net Assets	<u>\$ 3,482,092</u>	<u>\$ 275,750</u>	<u>\$ 216,500</u>	<u>\$ 80,322</u>	<u>\$ 4,054,664</u>

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RED RIVER ZOOLOGICAL SOCIETY

STATEMENTS OF ACTIVITIES BY FUND FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	2016				Total
	Operating Fund	Carousel Fund	Restricted Fund	Endowment Fund	
Unrestricted Net Assets:					
Revenue and Other Support:					
Admissions	\$ 426,127	\$ 0	\$ 0	\$ 0	\$ 426,127
Contributions	38,829	0	0	0	38,829
Membership Fees	217,909	0	0	0	217,909
Gift Shop and Concession					
Income, Net	80,028	0	0	0	80,028
Special Events, Net	210,368	0	0	0	210,368
Rental Income, Net	21,250	0	0	0	21,250
In-Kind Donations	90,475	0	0	0	90,475
Miscellaneous Income	59,759	0	0	886	60,645
Grant Income	46,709	0	0	0	46,709
Change in Unrealized Gain (Loss)					
on Investments	0	0	0	(2,616)	(2,616)
Net Assets Released					
From Restrictions	407,894	0	0	0	407,894
Total Revenue and Other Support	<u>\$ 1,599,348</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,730)</u>	<u>\$ 1,597,618</u>
Functional Expenses:					
Program Services:					
Facility Operation	\$ 1,043,488	\$ 0	\$ 0	\$ 0	\$ 1,043,488
Supporting Services:					
Management and					
General	302,610	0	0	0	302,610
Fundraising	81,920	0	0	0	81,920
Total Functional Expenses	<u>\$ 1,428,018</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,428,018</u>
Change in Unrestricted Net Assets	<u>\$ 171,330</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,730)</u>	<u>\$ 169,600</u>
Temporarily Restricted					
Net Assets:					
Contributions	\$ 98,809	\$ 0	\$ 135,000	\$ (2)	\$ 233,807
Net Assets Released					
From Restrictions	(86,396)	0	(311,500)	(9,998)	(407,894)
Change in Temporarily Restricted Net Assets	<u>\$ 12,413</u>	<u>\$ 0</u>	<u>\$ (176,500)</u>	<u>\$ (10,000)</u>	<u>\$ (174,087)</u>
Permanently Restricted					
Net Assets:					
Contributions	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Change in Net Assets	<u><u>\$ 183,743</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (176,500)</u></u>	<u><u>\$ 13,270</u></u>	<u><u>\$ 20,513</u></u>

2015				
Operating Fund	Carousel Fund	Restricted Fund	Endowment Fund	Total
\$ 411,970	\$ 0	\$ 0	\$ 0	\$ 411,970
46,486	0	0	0	46,486
195,877	0	0	0	195,877
68,021	0	0	0	68,021
178,237	0	0	0	178,237
24,739	0	0	0	24,739
169,528	0	0	0	169,528
62,894	0	0	659	63,553
45,048	0	0	0	45,048
0	0	0	2,159	2,159
113,708	0	0	0	113,708
<u>\$ 1,316,508</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,818</u>	<u>\$ 1,319,326</u>
\$ 886,797	\$ 0	\$ 0	\$ 0	\$ 886,797
345,097	0	0	0	345,097
56,610	0	0	0	56,610
<u>\$ 1,288,504</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,288,504</u>
<u>\$ 28,004</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,818</u>	<u>\$ 30,822</u>
\$ 71,813	\$ 0	\$ 216,500	\$ 302	\$ 288,615
(27,208)	0	(86,500)	0	(113,708)
<u>\$ 44,605</u>	<u>\$ 0</u>	<u>\$ 130,000</u>	<u>\$ 302</u>	<u>\$ 174,907</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
<u>\$ 72,609</u>	<u>\$ 0</u>	<u>\$ 130,000</u>	<u>\$ 13,120</u>	<u>\$ 215,729</u>

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RED RIVER ZOOLOGICAL SOCIETY
SCHEDULES OF GIFT SHOP, SPECIAL EVENTS, AND RENTAL INCOME
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	Gift Shop and Concession Income	Special Events	Rental Income
2016			
Revenue and Other Support	\$ 156,874	\$ 215,492	\$ 38,948
Cost of Revenue	76,846	5,124	17,698
Net Revenue and Other Support	<u>\$ 80,028</u>	<u>\$ 210,368</u>	<u>\$ 21,250</u>
2015			
Revenue and Other Support	\$ 138,060	\$ 195,140	\$ 38,255
Cost of Revenue	70,039	16,903	13,516
Net Revenue and Other Support	<u>\$ 68,021</u>	<u>\$ 178,237</u>	<u>\$ 24,739</u>

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RED RIVER ZOOLOGICAL SOCIETY

SCHEDULES OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	2016			
	Program Services	Supporting Services		Total
	Facility Operation	Management and General	Fundraising	
Salaries	\$ 502,954	\$ 154,201	\$ 40,404	
Depreciation	189,023	0	0	189,023
Utilities	70,593	0	0	70,593
Animal Care	67,575	0	0	67,575
Animal Purchase and Display	53,224	0	0	53,224
Payroll Taxes	37,210	11,408	2,989	51,607
Repairs and Maintenance	46,781	0	0	46,781
Insurance	45,233	0	0	45,233
Fundraising	0	0	38,359	38,359
Advertising	0	32,392	0	32,392
Finance Charges	0	21,586	0	21,586
Professional Services	0	19,125	0	19,125
Member Expense	0	18,763	0	18,763
Gifts In-kind	13,204	0	0	13,204
Seminars and Conventions	0	13,198	0	13,198
Office Supplies	0	8,773	0	8,773
Meals	0	8,715	0	8,715
Postage and Printing	0	6,682	0	6,682
Telephone	0	6,084	0	6,084
Education and Training	5,451	0	0	5,451
License, Fees, Permits	5,153	0	0	5,153
Auto	4,991	0	0	4,991
Employee Benefits	2,096	643	168	2,907
Miscellaneous	0	1,040	0	1,040
Interest	0	0	0	0
Total Expenses	\$ 1,043,488	\$ 302,610	\$ 81,920	\$ 1,428,018

2015

Program Services	Supporting Services		Total
	Facility Operation	Management and General	
\$ 328,414	\$ 170,443	\$ 37,414	\$ 536,271
179,626	0	0	179,626
88,113	0	0	88,113
111,836	0	0	111,836
34,232	0	0	34,232
24,398	12,663	2,780	39,841
51,129	0	0	51,129
32,980	0	0	32,980
0	0	16,225	16,225
0	49,404	0	49,404
0	19,337	0	19,337
0	15,934	0	15,934
0	16,142	0	16,142
26,062	0	0	26,062
0	18,240	0	18,240
0	15,842	0	15,842
0	5,222	0	5,222
0	6,641	0	6,641
0	3,546	0	3,546
1,806	0	0	1,806
6,451	0	0	6,451
1,675	870	191	2,736
0	10,813	0	10,813
75	0	0	75
<u>\$ 886,797</u>	<u>\$ 345,097</u>	<u>\$ 56,610</u>	<u>\$ 1,288,504</u>

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