

**Financial Statements
and Required Supplementary Information**

**Commonwealth Zoological Corporation
d/b/a Zoo New England
A Component Unit of the
Commonwealth of Massachusetts**

June 30, 2016 and 2015



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND
A Component Unit of the
Commonwealth of Massachusetts

Financial Statements
and Required Supplementary Information

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Independent Auditors' Report

The Board of Directors
Commonwealth Zoological Corporation
d/b/a Zoo New England
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Commonwealth Zoological Corporation d/b/a Zoo New England (the "Zoo" or "ZNE") (a Massachusetts nonprofit corporation and a component unit of the Commonwealth of Massachusetts) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Zoo's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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.



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Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016 on our consideration of the Zoo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Zoo's internal control over financial reporting and compliance.

Maye Hoffman McCann P.C.

September 28, 2016
Boston, Massachusetts

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2016 and 2015

This Management Discussion and Analysis (“MD&A”) of the **Commonwealth Zoological Corporation D/B/A Zoo New England (“ZNE”)** provides an introduction of the basic financial statements for the year ended June 30, 2016 with the selected comparative information for the years ended June 30, 2015 and 2014. Management prepared this unaudited MD&A, which should be read in conjunction with the financial statements, and the notes thereto, which follow this section.

BASIC FINANCIAL STATEMENTS

ZNE is an enterprise fund and the ZNE’s basic financial statements include: *the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position and the Statements of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The *Statements of Net Position* depicts ZNE’s financial position at June 30, the end of ZNE’s fiscal year. The Statements report all assets, liabilities and net position. Net position is displayed in three components: net investment in capital assets, restricted (distinguished between major categories of restrictions) and unrestricted.

The *Statements of Revenue, Expenses and Changes in Net Position* report total operating revenues, operating expenses, non-operating income and expenses, capital contributions and the changes in net position during the fiscal year ending December 31st. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The *Statements of Cash Flows* present information showing how ZNE’s cash and cash equivalents position changed during the fiscal year. The Statements classify cash receipts and cash payments by Operating Activities, Investing Activities, and Capital and Related Financing Activities.

Operational Highlights

FY 2016 – A year of progress and opportunity for our Zoos:

Fiscal Year 2016 was a year of exciting new opportunities for Zoo New England (ZNE), inspiring new conservation stewards, celebrating significant births, providing immersive educational experiences, supporting new conservation programs, and sharing the wonders of the natural world with our visitors. The Franklin Park Zoo and the Stone Zoo are vibrant, essential contributors to our region’s cultural and educational landscape, providing affordable activities for schools and families while educating, inspiring and sharing the wonders of wildlife. In FY 16, a total of 617,211 guests visited the Zoos and gained a greater understanding of the incredible animals in which we share the planet.

In September 2015, Stone Zoo received its accreditation from the Association of Zoos and Aquariums. The inspectors complimented ZNE on the improvements it had made to the facilities since their inspection in 2014, and were pleased with the progress that ZNE had made with the Commonwealth.

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Management's Discussion and Analysis

June 30, 2016 and 2015

Operational Highlights (Continued)

FY 2016 – A year of progress and opportunity for our Zoos (Continued):

Education and conservation are the cornerstones of our mission, and ZNE was especially pleased that attendance by Massachusetts school children increased in FY 16 to 90,633, compared to 66,077 in FY 15. The total number of people served through the Education Department in FY 16 increased by 10% to 231,218, compared to 210,004 in FY 15. This includes programs involving schools, overnight groups, after-school, members, adults, camp and school vacation programs, Franklin Park Zoo and Stone Zoo animal encounters, story times, and scheduled talks.

ZNE was once again pleased to be named a partner for the Boston Summer Learning Project and in the spring began preparation for the summer session. Franklin Park Zoo hosted 30 students for five weeks, helping students to acquire the knowledge, skills and experiences needed to succeed. Through the collaboration, ZNE's expertise in science learning is utilized to enhance the students' academic progress in math and language arts, as well as improve specific skills such as critical thinking by providing full day integrated learning experiences.

In September 2015, work began on *Nature's Neighborhoods* – the new George Robert White Fund Children's Zoo at Franklin Park Zoo. Construction began following the successful completion of the Children's Zoo Capital Campaign at the end of FY 15 – ZNE's first capital campaign in recent history, which raised over \$6.8 million, exceeding the goal of \$6.6 million. ZNE is grateful to the donors who supported this effort and believe in this innovative project that will feature state-of-the-art exhibits, providing the foundation for science education, exploratory learning and connection to the natural world.

In the spring, ZNE hosted its most successful Zootopia to date. Zootopia – ZNE's fundraising gala, was attended by 350 guests and raised a record-breaking \$414,408. In addition to Zootopia, a host of other popular events were presented throughout the year. Franklin Park Zoo's increasingly popular Brew at the Zoo event increased ticket sales by 14% from 2,397 in FY 15 to 2,715 in FY 16. Events including Uncorked, a wine tasting event also held at Franklin Park Zoo, as well as a new event Ales and Tails at Stone Zoo were also well received. *A Wild Affair*, an annual fundraising tasting event at Stone Zoo, celebrated its 11th year and welcomed many guests to the event held in June.

While the Zoos were behind on combined attendance projections early in the fiscal year, the mild winter coupled with a host of special activities for families resulted in higher attendance fall through spring, with ZNE exceeding combined Zoo attendance projections November through April. ZooLights, Stone Zoo's evening holiday light show which operates primarily in the month of December, attracted 63,811 visitors in FY 16, an increase of 12,841 over the 50,970 ZooLights visitors in FY 15. Attendance during April school vacation week was a combined 49,533 guests for both Zoos, an increase of 34% compared to combined attendance of 36,875 in FY 15.

In FY 16, visitors to both Zoos were greeted with popular seasonal opportunities allowing them to connect and discover the wonders of the natural world. For the second season at Franklin Park Zoo, Camel Trek once again opened in May. For a fee, guests have the opportunity to get a camel's eye view of the Zoo as they ride

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Operational Highlights (Continued)

FY 2016 – A year of progress and opportunity for our Zoos (Continued):

dromedary camels in this memorable, interactive experience. Popular seasonal opportunities at Franklin Park Zoo include Aussie Aviary, a walk-through aviary where guests can walk amongst and feed colorful budgies, and Butterfly Landing, a tranquil space filled with hundreds of fluttering butterflies. At Stone Zoo, guests once again watched in awe during the free-flight, educational bird show, *Masters of Flight: Birds of Prey*, and also had the opportunity to learn more about American alligators during regular encounters with Education staff at the seasonal American alligator exhibit.

Through our cooperative captive breeding programs, many new animals were born or hatched throughout the year and many new animals, including a 2-year-old male jaguar at Stone Zoo, were brought into the collection from other zoos to bolster our breeding and education programs. Notable births and hatches included a white-cheeked gibbon, cotton-top tamarins, a markhor, ring-tailed lemur twins and Siberian crane chicks. A number of other animals were sent out to other accredited zoos as part of organized breeding efforts. A critical component of achieving ZNE's mission is based in having meaningful impact in the conservation of wildlife, both locally and abroad. A threatened species, Blanding's turtles, were released into the Massachusetts wild after being "head-started" at ZNE, again as part of a collaborative program. ZNE is a proud partner of Grassroots Wildlife Conservation, and is working with the organization on a project focused on reintroducing marbled salamanders back into the Middlesex Fells Reservation. ZNE, along with a coalition of partners, continues its commitment to get legislation passed in Massachusetts banning the sale of ivory and rhinoceros horn, which will aid in the conservation of these species. ZNE also provided support in a variety of ways for a number of other regional, national and international wildlife conservation projects including:

- A project that protects the critically endangered wild camel, of which there are fewer than 1,000 left, and its habitat in the fragile and unique desert ecosystems in the Gobi and Gashun Gobi deserts of northwest China and southwest Mongolia;
- A program promoting the conservation, preservation and protection of the Colobus monkey and its habitat in Kenya. The program's projects focus on research and solutions for human/primate conflicts including animal welfare, biological/ecological research, community development and education, forest protection and enrichment and an eco-tourism awareness program;
- Rhinoceros conservation efforts through the International Rhino Foundation ("IRF"), including anti-poaching and protection programs, focused on the conservation of the five rhino species, which are almost all endangered or critically endangered. IRF also supports management of captive populations to improve the chances for long-term survival; and
- The International Crane Foundation ("ICF"), which works worldwide to conserve cranes and the ecosystems, watersheds, and flyways on which they depend. ICF develops unique collaborations and leads effective community-based conservation programs, important research projects and innovative captive breeding and reintroduction efforts. ZNE's support was used to protect the remaining important breeding and stopover habitats of white-naped, red-crowned, and hooded cranes and the Oriental white storks in Russia's Amur River Basin.

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Operational Highlights (Continued)

FY 2016 – A year of progress and opportunity for our Zoos (Continued):

While ZNE increased admission prices at the gates, the Zoos remain committed to ensuring that personal financial situations do not constitute a barrier to enjoying and benefiting from Zoo experiences. As an organization whose mission is to connect people to the natural world through meaningful experiences that engage, educate and inspire the next generation of conservation stewards, it is imperative that we reach everyone within our communities. ZNE's dedication to this aspect of our mission is evident in our community outreach programs, which include:

- Library Pass Programs: Libraries purchase the pass which entitles their patrons to a discount to the Zoos.
- EBT Program: In recognition of the fact that Zoo visits are integral to childhood and learning, Massachusetts residents who are eligible for the Massachusetts' EBT program may purchase admission to the Zoos for themselves and up to four others for \$2.00 per person. Participation increased 212%, from 4,115 participants in FY 15 to 12,841 participants in FY 16. During the same time period, revenues increased by 133%, from \$11,038 to \$25,682.
- Community Pass Program: Non-profit organizations and community groups are eligible to receive a limited amount of free admission passes. ZNE distributed more than 4,200 passes to community groups during FY 16.
- Organizational Pass Program: Non-profit organizations may purchase an institutional pass enabling groups of individuals to attend the Zoos at greatly reduced cost.

Animal Exhibits

- As of June 30, 2016, Franklin Park Zoo features 90 public animal exhibits and Stone Zoo features 48.
- In early May, the *Masters of Flight: Birds of Prey* show returned to Stone Zoo for the start of its seventh season and received rave reviews. Additionally, three adult, 6 to 8 foot long, American alligators returned for their third summer at the seasonal American alligator exhibit.
- At Franklin Park Zoo, Aussie Aviary, a free-flight, interactive exhibit home to several hundred brightly colored budgies, and Butterfly Landing, filled with hundreds of free-flight butterflies, continued to delight visitors of all ages.
- Significant acquisitions at Franklin Park Zoo included the addition of a Poitou donkey, new pottos, and new pair of red pandas. At Stone Zoo, significant acquisitions included markhor, a male jaguar and roadrunner. Births and hatches at Franklin Park Zoo included ring-tailed lemur twins, hamerkops, blue-bellied roller, a cotton-top tamarin, and sunbittern. At Stone Zoo, births and hatches included cotton-top tamarins, a white-cheeked gibbon, an eastern black and white Colobus monkey, and markhor.
- The Linne's two-toed sloth pair moved from Franklin Park Zoo to their new exhibit within Windows to the Wild at Stone Zoo. A female sloth, the pair's offspring, is now living within the Tropical Forest at Franklin Park Zoo sharing the habitat with emperor and cotton-top tamarins.

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Management's Discussion and Analysis

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Operational Highlights (Continued)

FY 2016 – A year of progress and opportunity for our Zoos (Continued):

Attendance

- Attendance in FY 16, Zoo New England experienced an increase in daytime attendance with 553,400 visitors (compared to 537,660 in FY 15).
- In FY 16, Franklin Park Zoo's attendance reached 355,259, an increase of 5,891 from 349,368 in FY 15.
- Stone Zoo's daytime attendance reached 198,141, an increase of 9,849 from 188,292 in FY 15.
- Stone Zoo's total FY 15 attendance for ZooLights (Stone Zoo's evening holiday light show, which operates primarily in the month of December) was 63,811, an increase of 12,841 over 50,970 FY 15.
- Total overall attendance inclusive of ZooLights in FY 16 was 617,211, compared to 588,630 in FY 15.

Membership

- In FY 16, membership revenues from 16,237 member households brought in over \$1,500,000. This is the fifth year that membership revenue has exceeded more than \$1 million, and the second year that revenue has exceeded \$1,500,000.

Education

- In FY 16, we conducted 366 school programs, which is 17% more than the 312 in FY 15. We increased the number of Wild Adventure programs, which include our Breakfasts with the Animals programs and premium tours, by 41% in FY 16 with 83 total programs compared to last year's 59. The number of program participants for our Wild Adventures increased by 17% to 789 participants in FY 16 from 676 in FY 15. The total number of people served in FY 16 increased by 10% to 231,218 in FY 16, compared to 210,004 in FY 15. These include programs involving schools, overnight groups, after-school, members, adults, camp and school vacation, Franklin Park Zoo and Stone Zoo animal encounters, story times, and scheduled talks.

Rentals and Private Events

- In FY 16, 77 individuals and 35 corporations hosted events ranging from birthday parties to corporate functions. A total of 112 events were held between Franklin Park Zoo and Stone Zoo. Similar data for FY 15 were 85 individuals and 33 corporations. A total of 118 events were held between the Franklin Park Zoo and Stone Zoo. Throughout recent years, events held at the Zoos have become a continuous source of revenue as well as cultivating opportunities for new members and donors.

Volunteers

- Volunteers, individual and groups, contributed vital assistance to Zoo New England. In FY 16, figures indicate that 16,593 hours of essential services were contributed by 2,350 people who volunteered their time.
- During the same period, 161 regular individual volunteers donated a total of 9,816 hours of service. Individual volunteers worked in all departments, contributing significantly to the operation of Franklin Park Zoo and Stone Zoo.

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Management's Discussion and Analysis

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Operational Highlights (Continued)

FY 2016 – A year of progress and opportunity for our Zoos (Continued):

Volunteers (Continued)

- In FY 16, 39 interns contributed 11,452 hours of vital assistance to Zoo New England while gaining tremendous education and preparation for work opportunities.
- In total, 25,614 hours of essential services were contributed by 2,550 individual volunteers, interns, and group volunteers in FY 16.

Teen Programs

- The hallmark of our youth programs is our summer ZooTeen Program. Since its inception in 1999, the ZooTeen program has engaged over 1,500 Boston youth with authentic work experiences that allow young people to develop professional skills, build a strong sense of self, and provide for themselves and their families. The ZooTeen program pairs work experiences with professional development workshops to provide a broad exposure to zoo and conservation-oriented careers in a safe, structured and professional learning environment. In FY 16, ZNE broadened the scope of the professional development workshops to include educational opportunities around green chemistry. ZooTeens created a Styrofoam-like material using mushrooms and other sustainable materials.
- Returning ZooTeens were given a new leadership opportunity to provide helpful insights on ways to improve the Teen Programs. This welcomed leadership opportunity allowed returning ZooTeens to have ownership over the program and the Zoo.

Fundraising

- In FY 16, the overall fundraising goals were surpassed by 8.31%. The FY 16 fundraising goal was set at \$1,735,590. Funds raised totaled \$1,879,810.
- Unrestricted individual giving from donors ended the fiscal year at 3.99% above the goal set at \$712,457. While the overall unrestricted fundraising goal was exceeded, actual dollars decreased 9.9%, from FY 15 to FY 16, raising \$740,800 from \$822,000. The decrease is largely reflective of a (one-time) bequest that was counted in FY 15 as unrestricted individual giving. No bequests were received in FY 16.
- Corporate support has seen steady growth over the last few years. Corporate gifts include matching gifts, gifts, and corporate sponsorships, and generated \$147,032 in FY 16 compared to \$133,217 in FY 15, an increase of 10.4%.
- Unrestricted foundation support increased 4.8%, from FY 15 to FY 16, raising \$135,120 from \$123,800 in FY 15.
- Overall, unrestricted giving exceeded the FY 16 fundraising goal of \$961,030 by 6.5%. Despite exceeding the goal, compared to FY 15, unrestricted giving decreased 5.7% to revenues of \$1,023,010 in FY 16, compared to \$1,084,367 in FY 15 — reflective of the previous bequest.
- Zootopia, Zoo New England's signature fundraising event, experienced another record-breaking year, raising more than \$414,408 in revenues in FY 16, compared to \$348,000 in revenues for FY 15, primarily through corporate and individual sponsorships, and ticket sales. Approximately 350 attendees, compared to 380 in FY 15, participated in the event, illustrating a scenario of fewer guests producing higher revenue over FY 15.
- Operating restricted funds raised in FY 16 increased 324% compared to \$135,892 in FY 15.
- Zoo New England also hosted a Marathon team, which raised unprecedented funds in FY 16. In FY 15, funds raised by the Marathon team totaled \$44,949.68. In FY 16, we posted a 13.5% increase, raising \$51,027.47.

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Management's Discussion and Analysis

June 30, 2016 and 2015

Operational Highlights (Continued)

FY 2016 – A year of progress and opportunity for our Zoos (Continued):

Fundraising (Continued)

- With the closing of the Children's Zoo Capital Campaign, a few late gifts were raised for the project totaling \$13,090.02.
- The new campaign for an education center at Stone Zoo (the Animal Discovery Center Campaign) resulted in early funding of \$69,206 toward a longer term goal of \$150,000 to complete the project in FY 17.
- The Development department was under-staffed for periods of FY 16, including the Vice President, Major Gifts Officer, and Annual Fund/Operations positions, which impacted fundraising productivity.

Marketing

- In FY 16, Zoo New England received \$379,399 in in-kind promotional advertising support from Clear Channel Outdoor, New England Cable News (NECN) and HOT 96.9. This was an increase of 0.4% in in-kind promotional support compared to \$377,827 in FY 15.
- Through a cohesive advertising theme combining both Zoos, ZNE was able to cross-promote the Zoos through traditional advertising, a strong digital campaign, and other external outreach.

Communications

- In FY 15, ZNE continued to receive extensive press coverage from a wide range of print, broadcast and online media outlets. Examples of this include: an August 2015 Boston Globe Magazine cover story focused on Franklin Park Zoo's past, present and future; extensive coverage for the annual ZooLights event at Stone Zoo that resulted in 89 media placements; the birth announcement of Chewbacca, a Nigerian dwarf goat, that went viral and received extensive national and international coverage; news about Zoo New England's support of Proyecto Tapir Nicaragua which included coverage in the local Spanish newspaper El Planeta as well as coverage in the newspaper El Nuevo Diario in Nicaragua; and coverage throughout the year on animal births and hatches, conservation projects as well as the many ZNE events.
- Throughout FY 16, ZNE generated a reach of an estimated 566,349,730 in total circulation, listenership and viewership, which is a 5% increase over 541,225,713 in FY 15. In FY 16, the estimated combined editorial value was \$1,023,541.27. (These measurements were based on standard industry metrics for quantifying the impact and value of media coverage).
- Social media continues to be an area of growth. In FY 16, our "likes" and followers across our social media platforms (Facebook, Twitter and Instagram) increased by 30% from a combined audience of 45,969 in FY 15 to a combined audience of 59,584 in FY 16.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2016 and 2015

FINANCIAL POSITION SUMMARY

The Statements of Net Position depict ZNE's financial position as of one point in time— June 30 — and reflects the residual difference between all assets, and liabilities of ZNE. Net position represents the residual interest in ZNE's assets after deducting liabilities. ZNE's net position was \$20.6 million at June 30, 2016, a \$3.3 million increase from June 30, 2015.

A condensed summary of ZNE's total net position at June 30 is set forth below:

	2016	2015	2014
Assets:			
Current and other assets	\$ 7,750,508	\$ 6,292,254	\$ 3,161,200
Capital assets	12,849,620	11,690,861	12,028,732
Service concession	<u>2,326,084</u>	<u>745,908</u>	<u>494,951</u>
Total assets	22,926,212	18,729,023	15,684,883
Liabilities:			
Current liabilities	1,979,250	1,309,172	1,293,537
Debt	<u>114,712</u>	<u>111,175</u>	<u>119,981</u>
Total liabilities	2,093,962	1,420,347	1,413,518
Net Position:			
Invested in capital assets	15,139,447	12,436,769	12,523,683
Restricted	2,388,104	3,431,646	1,237,969
Unrestricted	<u>3,304,699</u>	<u>1,440,261</u>	<u>509,713</u>
Total net position	\$ <u>20,832,250</u>	\$ <u>17,308,676</u>	\$ <u>14,271,365</u>

Net position is comprised of three components as follows:

Invested in capital assets and intangibles, net of related debt represents the largest portion of ZNE's net position (73% at June 30, 2016). ZNE uses these capital assets at each Zoo location to provide and maintain attractions to patrons and provide them with a certain desired level of atmosphere when they come to visit the Zoo, as such these assets are not available for future spending. Although ZNE's investment in capital assets is net of any related debt, that debt is repaid from operations as it is unlikely that the capital assets will be liquidated to pay liabilities.

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FINANCIAL POSITION SUMMARY (Continued)

Restricted net position (11% at June 30, 2016) includes amounts that have been restricted for capital expenditures as well as other non-capital expenditures as dictated by donors and grantors. The restricted component of net position consists of restricted assets reduced by liabilities related to those assets.

Unrestricted (16% at December 31, 2014) are available to meet any of ZNE's ongoing obligations. The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets and intangibles or the restricted component of net position.

CAPITAL ACTIVITIES

A major source of ZNE's funding comes restricted for capital expenditure which is expected given the nature of ZNE's operations. Per ZNE's capitalization policy, such expenditures greater than \$2,500 are capitalized and depreciated over their estimated useful life using straight-line depreciation. The following is a summary of the amounts that make up total Capital assets as of June 30, 2016:

Asset Classification	2016	2015	2014
Construction in process	\$ 691,009	\$ 104,569	\$ 586,440
Building and land improvements	22,241,644	21,530,612	711,032
Furnishings and equipment	<u>4,244,687</u>	<u>3,550,282</u>	<u>694,405</u>
 Total	 27,177,340	 25,185,463	 1,991,877
 Accumulated depreciation	 <u>14,361,920</u>	 <u>13,494,602</u>	 <u>867,318</u>
 Capital assets, net	 \$ <u>12,815,420</u>	 \$ <u>11,690,861</u>	 \$ <u>1,124,559</u>

ZNE's gross capital assets have increased approximately \$2,000,000 during the current year in large part due to the various construction projects ongoing at the Zoos some of which are currently still ongoing and reported as Construction in process as of June 30, 2016. The Zoo has also purchased a substantial amount of new vehicles in the current year which are reported as Furnishings and equipment as of June 30, 2016. Also during every year ZNE will perform repairs to its many exhibits resulting in increased capital costs reported as Building and land improvements. Required footnote disclosures relative to capital assets can be found under "Note 6 - Capital Assets" in the Notes to Financial Statements.

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Management's Discussion and Analysis

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SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The changes in net position over time may serve as a useful indicator of changes in ZNE's financial position. A summary of ZNE's change in net position at June 30 is set forth below:

	2016	2015	2014
Operating revenues	\$ 6,306,673	\$ 5,767,192	\$ 5,291,301
Operating expenses	14,401,176	14,005,456	13,731,676
Non-operating revenues	11,275	8,060	4,223
Capital contributions	<u>11,606,802</u>	<u>11,267,515</u>	<u>8,093,216</u>
Change in net position	3,523,574	3,037,311	(342,936)
Net position, beginning of year	<u>17,308,676</u>	<u>14,271,365</u>	<u>14,614,301</u>
Net position, end of year	<u>\$ 20,832,250</u>	<u>\$ 17,308,676</u>	<u>\$ 14,271,365</u>

OPERATING REVENUES AND OPERATING EXPENSE HIGHLIGHTS

The increase in operating revenues is due to multiple factors including the annual rate increases, a 5% increase in attendance at the Zoo and increase revenues generated by the Zoo's special events (i.e. ZooLights). Consistent with the increase in attendance, the Zoo's other operating revenues have increased due to increased revenue from the Zoo's on-site programs and overnight events.

Overall increase in operating expenses is consistent with the increase in operating revenues. Some of the significant changes year over year were additional fundraising/marketing expenses including the Zoo hiring a consulting firm to assist with strategic planning, additional costs incurred relative to promoting the Zoo's special events and campaigns, and an increase in depreciation expense due to the significant amount of assets placed in service the latter half of FY 2015 and in FY 2016.

CAPITAL CONTRIBUTION HIGHLIGHTS

Overall increase in current year capital contributions is a result of the increase in State funding of approximately \$2,500,000 due to the Zoo being appropriated additional bond and grant monies during FY 16. Much of the monies received were designated for the purchase of capital assets as well as to pay for construction costs related to the George Robert White Children's Zoo project. The increase was mitigated by a decrease in private gifts due to the fact that the Zoo met its matching goal relative to the George Robert White Children's Zoo campaign in FY 15. As a result, the amount of related contribution revenue in the current year significantly decreased.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Management's Discussion and Analysis

June 30, 2016 and 2015

State Appropriations & Free MA Students' Attendance:

Chapter 92B of the Acts of 1992 of the Massachusetts General Laws provides that the Zoos will admit Massachusetts school groups at no charge. The legislation also provides that the Zoos may receive, subject to appropriation, an annual operating subsidy from the Commonwealth and may request financial assistance from the Commonwealth for capital projects.

In FY 2016, school group visitation totaled 90,663 students who attended Franklin Park Zoo and Stone Zoo at no cost. Field trips to the Zoo are an opportunity for students to learn more about science, wildlife and conservation. ZNE offers programming, tours, and animal encounters for the school groups which are aligned with the Massachusetts Science Curriculum Frameworks and STEM (Science, Technology, Engineering and Mathematics) education. With the opening of the new children's zoo in September of 2016, we are hoping to attract even more students, K-5th grade, and assist teachers in integrating STEM and early childhood learning concepts into class field trips.

ZNE receives state appropriations through the Massachusetts Office of Travel and Tourism in the Department of Business and Technology. For FY 2016 operating support, the Zoos received \$6,900,000 of which \$64,000, or 1% was not received by June 30, 2016, but was received subsequently in August after the Executive Office of Housing and Economic Development's review of Zoo New England's year-end report. In addition to the operating support, the Commonwealth also provided \$1 million in FY 16 for deferred maintenance and capital expenditures. With these funds, ZNE was able to complete a number of projects including replacement of old fencing, outdated equipment and vehicles. The funds were also used for roof repairs, paving, and guest enhancement projects such as wayfinding signage, a new train, stroller and wheelchair programs and more. Payment of the \$1 million funds for FY 16 capital work was on a reimbursement basis. ZNE received the reimbursement from the Commonwealth in August 2016.

The Commonwealth also provided ZNE with a \$3 million MassWorks grant for FY 16-17. Of the \$3 million, ZNE spent \$1,072,990 on various projects including demolition, construction and drainage work and began a renovation project at Stone Zoo, which will replace the outdated bathroom facilities, gift shop and Animal Discovery Center, as well as create a new entry and ticketing plaza. Demolition and construction began in FY 16. The construction of the buildings will continue through the fall, winter and spring of FY 17. One of the new bathroom facilities is expected to open by early September. The gift shop, front bathroom and entry plaza is scheduled for completion in January of 2017, while the Animal Discovery Center is scheduled for completion in June 2017. These are much needed, critical upgrades to Stone Zoo, which are anticipated to increase customer satisfaction, help attract new visitors and assist in increasing revenues.

Upon completion of the Animal Discovery Center, Stone Zoo will once again have year-round, indoor space for school programs and overnights, and will also be able to increase summer program offerings. The MassWorks program is a reimbursement program. ZNE received \$934,154 in reimbursement in 2016, while the remainder of the reimbursement (\$138,836) is anticipated in August.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Management's Discussion and Analysis

June 30, 2016 and 2015

Admission & Membership Rates:

The rates in effect as of June 30, 2016 are as follows:

Admission Fees	Franklin Park Zoo	Stone Zoo
Adult	\$19.95	\$16.95
Child (2-12)	\$13.95	\$11.95
Senior (62+)	\$16.95	\$14.95

Membership Fees (for both Zoos)

Individual \$80.00

Dual \$95.00

Family \$110.00

Family + \$140.00

Friend \$160.00

Factors Impacting Future Periods:

Zoo New England continues to make progress in this exciting phase in its history. The opening of *Nature's Neighborhoods* – the new George Robert White Fund Children's Zoo at Franklin Park Zoo on September 1, 2016, is an example of both a successful capital campaign and the type of impactful exhibits ZNE plans to develop in the future. In addition to attracting more visitors, members and earned revenues, it will also help ZNE to attract more sponsorship and major philanthropy. *Nature's Neighborhoods* guides visitors through diverse ecosystem "neighborhoods"—The Woodlands, Wetlands, Grasslands, and Thicket—replicating different bio-geographical regions. The goal is to encourage visitors to rediscover their inherent connection to the natural world by exploring various habitats and to understand the roles that living creatures play in healthy, thriving environments. The space is designed to introduce children to the concept of ecology in a fun, meaningful way by relating to something they understand: neighborhoods.

The funding through the MassWorks program will have a tremendous effect on Stone Zoo with the new indoor educational space, and improved visitor amenities including a new entrance and ticketing area, new restrooms and a new gift shop. All of these much needed upgrades to Stone Zoo are anticipated to increase customer satisfaction, help attract new visitors and assist in increasing revenues.

The engagement of the ZNE Board of Directors is at a very high level and this is having positive ramifications on the organization. In FY 16, a Strategic Planning Committee comprised of Board members, Advisory Council members and members of the Executive team met on multiple occasions to identify strategic objectives for the next one to three years. The identified objectives are focused on three critical areas that will advance the Zoos' progress toward greater self-sufficiency, increased philanthropic support, mission delivery and conservation impact. The Board of Directors approved the plan's direction and key goals at the June 2016 Board Meeting. Management and staff are developing an implementation plan to be presented to the Board in September.

The Commonwealth has been a strong partner in the success of our Zoos. In addition to the remaining MassWorks funds, the Commonwealth has committed \$7 million for FY 17, of which \$6 million will be used toward operations and asset management and \$1 million is for capital funding being utilized for capital improvements and new construction for the Zoos.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Management's Discussion and Analysis

June 30, 2016 and 2015

Factors Impacting Future Periods (Continued):

When looking at trends analyses indicators over the past five years, a positive track is demonstrated in almost all areas for revenue increases, both earned revenues and donated revenues. The level of activity, efforts and success by ZNE to increase revenues points toward a brighter future. ZNE will continue to develop, refine and expand a variety of earned revenue sources as demonstrated in recent years in order to expand operations and decrease reliance on state funding. On the expense side, ZNE has a proven track record of vigilantly tracking and managing expense increases in order to ensure positive financial outcomes. In regard to the mission-driven work that is really at the heart of the organization, ZNE continues to expand programming opportunities, as well as develop relationships with new education and conservation partners.

Contacting the Commonwealth Zoological Corporation:

This financial report is designed to provide a general overview of the Zoo's financial activity. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Questions regarding any of the information provided in this report or requests for additional information should be addressed to Robert George, Executive Vice President, Zoo New England, Boston, MA 02121.

Financial Statements

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Statements of Net Position

	<i>June 30,</i>	
	<i>2016</i>	<i>2015</i>
Assets		
Current:		
Cash and cash equivalents	\$ 3,583,731	\$ 2,542,697
Cash and cash equivalents for investment in plant and equipment and other items	2,289,252	3,189,543
Investments	64,302	62,879
Accounts receivable	137,251	54,958
Due from other governments	141,781	94,068
State appropriations receivable	1,064,000	50,000
Pledges receivable	167,806	110,513
Prepaid expenses and other assets	193,885	44,551
Inventories	67,548	59,375
Noncurrent:		
Pledges receivable	40,952	83,670
Capital assets - net of accumulated depreciation	12,815,420	11,690,861
Service concession agreement	2,360,284	745,908
	22,926,212	18,729,023
Liabilities		
Current:		
Accounts payable	1,228,644	608,989
Accrued compensation	281,827	220,962
Accrued liability for compensated absences	252,896	260,827
Accrued expenses	130,707	119,063
Advances from grantors	48,919	99,331
Note payable	36,257	-
Noncurrent:		
Accrued liability for compensated absences	114,712	111,175
	2,093,962	1,420,347
Net position		
Invested in capital assets and intangibles, net of related debt	15,139,447	12,436,769
Restricted for:		
Capital projects	2,068,529	3,183,725
Education and other programs	319,575	247,921
Unrestricted	3,304,699	1,440,261
	\$ 20,832,250	\$ 17,308,676

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Statements of Revenue, Expenses and Changes in Net Position

	<i>Years Ended June 30,</i>	
	<i>2016</i>	<i>2015</i>
Operating revenues:		
Guest operating revenue:		
Admissions	\$ 3,863,798	\$ 3,453,045
Concessions revenue	250,147	242,118
Membership fees	1,591,751	1,594,085
	<hr/>	<hr/>
Total guest operating revenue	5,705,696	5,289,248
Other operating revenue	600,977	477,944
	<hr/>	<hr/>
Total operating revenue	6,306,673	5,767,192
Operating expenses:		
Animal care	4,014,117	3,922,497
Educational	630,123	736,286
Facilities and grounds	3,847,466	3,899,075
Fundraising	690,971	579,135
General and administrative	1,684,913	1,528,234
Guest services	2,666,267	2,552,254
Depreciation and amortization	867,319	787,975
	<hr/>	<hr/>
Total operating expenses	14,401,176	14,005,456
Operating loss	(8,094,503)	(8,238,264)
Non-operating revenues:		
Investment income	11,275	8,060
	<hr/>	<hr/>
Loss before capital contributions	(8,083,228)	(8,230,204)
Capital contributions:		
State appropriations	7,900,000	6,418,519
Grants - other governments	1,072,993	-
Private gifts - unrestricted	2,137,802	2,149,438
Private gifts - restricted	496,007	2,699,558
	<hr/>	<hr/>
Total capital contributions	11,606,802	11,267,515
Change in net position	3,523,574	3,037,311
Net position, beginning of year	17,308,676	14,271,365
	<hr/>	<hr/>
Net position, end of year	\$ 20,832,250	\$ 17,308,676

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	<i>2016</i>	<i>2015</i>
Cash flows from operating activities:		
Operating revenues from guests	\$ 5,705,696	\$ 5,289,248
Other operating revenue	468,272	495,781
Payments to employees	(6,103,272)	(6,155,656)
Payments for benefits	(1,683,320)	(1,575,355)
Payments for utilities	(1,257,440)	(1,472,647)
Payments to suppliers	(4,620,929)	(3,836,656)
Net cash used in operating activities	<u>(7,490,993)</u>	<u>(7,255,285)</u>
Cash flows from non-capital financing activities:		
State appropriations	4,901,000	6,403,519
Gifts and grants for other than capital purposes	2,123,227	2,482,731
Net cash provided by non-capital financing activities	<u>7,024,227</u>	<u>8,886,250</u>
Cash flows from capital and related financing activities:		
State appropriations - restricted to capital use	1,985,000	-
Purchases of capital assets	(1,259,273)	(450,104)
Purchases of intangible - service concession agreement	(1,614,376)	(250,957)
Grants - other governments	1,072,993	-
Private gifts - restricted	448,294	2,471,145
Net cash provided by investing activities	<u>632,638</u>	<u>1,770,084</u>
Cash flows from investing activities:		
Investment income	11,275	8,060
Principal paid on capital debt and leases	(36,404)	-
Purchases of investments	-	(62,879)
Change in cash held for investment in plant and equipment	900,291	(2,210,899)
Net cash provided by (used in) investing activities	<u>875,162</u>	<u>(2,265,718)</u>
Net increase in cash and cash equivalents	<u>1,041,034</u>	<u>1,135,331</u>
Cash and cash equivalents, beginning	2,542,697	1,407,366
Cash and cash equivalents, ending	<u>\$ 3,583,731</u>	<u>\$ 2,542,697</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (8,094,503)</u>	<u>\$ (8,238,264)</u>
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	867,319	787,975
Receivables - net	(82,293)	44,437
Inventories	(8,173)	(3,008)
Prepaid expenses and other assets	(149,334)	146,746
Accounts payable	(41,712)	(3,366)
Accrued compensation	60,865	60,992
Accrued liability for compensated absences	(4,394)	(18,920)
Accrued expenses	11,644	(5,277)
Advances from grantors	(50,412)	(26,600)
Total adjustments	<u>603,510</u>	<u>982,979</u>
Net cash used in operating activities	<u>\$ (7,490,993)</u>	<u>\$ (7,255,285)</u>

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Commonwealth Zoological Corporation d/b/a Zoo New England (the “Zoo” or “ZNE”) is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and may accept, hold, use, apply and dispose of any and all donations, grants, bequests and devices received by the Zoo, conditional or otherwise.

The Zoo was organized in June 1991 under Chapter 92B of the Acts of 1992, as amended, for the purpose of operating the Franklin Park Zoo in Dorchester and the Walter D. Stone Memorial Zoo in Stoneham. It is a tax-exempt corporation under Chapter 180 of the laws and is legally separate from the Commonwealth of Massachusetts and is governed by a twenty-four member Board of Directors appointed by the Governor of the Commonwealth of Massachusetts. The Zoo meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (“GASB”) for inclusion as a component unit within the Commonwealth’s basic financial statements based on the Commonwealth’s responsibility for the appointment of the Zoo’s members, and their approval of capital programs. As such, the Zoo is included in the Commonwealth’s basic financial statements. The accompanying financial statements present the financial position and the changes in the net position and cash flows of the Zoo only. The Zoo is not involved in any joint ventures.

The Zoo may receive, subject to application, an annual operating subsidy from the Commonwealth of Massachusetts through a line item in the budget of the Department of Conservation and Recreation. In addition, the Zoo may request financial assistance from the Commonwealth of Massachusetts for any capital projects undertaken at the Zoo. The Commonwealth of Massachusetts retains title to all real property and the appurtenances thereon, with the exception of certain structures and related property at the Franklin Park Zoo, including the office building. The Zoo maintains care, custody and control of the Zoo facilities and collections.

In September 2014, the Franklin Park and Stone Zoo’s accreditations from the American Zoo and Aquarium Association (“Association”) expired. To be accredited, an organization must meet certain standards in areas including animal husbandry, visitor experience, education and finances. Benefits of accreditation include the ability to participate in animal exchange programs with other zoos and enhanced opportunities and national marketing and fundraising program acceptance in the zoo professional and philanthropic communities. In September 2014, the Franklin Park Zoo was accredited by the “Association” which expires in September 2019. The Stone Zoo’s accreditation was approved in September 2015 and also expires in September 2019.

A summary of the accounting policies consistently applied in the financial statements follows:

Basis of Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for state and local governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

The Zoo’s operations are presented as a single enterprise fund. Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Revenues from admissions, concession revenues and membership fees are reported as operating revenues. All expenses related to operating the Zoo are reported as expenses. Interest and investment income are reported as non-operating income. Capital contributions, special and extraordinary items are reported separately after non-operating revenues and non-operating expenses.

The financial statements (i.e., the statements of net position, the statements of revenue, expenses and changes in net position and the statements of cash flows) report information on the activities of the Zoo. The effect of any interfund activity has been removed from these financial statements.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates included in the financial statements relate to the reserve and discount for pledges and grants receivable, useful lives of depreciable assets, accrued expenses and liability for compensated absences.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Zoo's cash and cash equivalents are considered to be cash on hand, cash on deposit with financial institutions and short-term investments with an initial maturity of three months or less. The Zoo does not consider cash and cash equivalents received with donor-imposed restrictions limiting their use for long-term purposes to be cash and cash equivalents.

Fair Value Measurements

The Zoo's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1—Investments reflect prices quoted in active markets.

Level 2—Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3—Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt and investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. All of the Zoo's investments are considered Level 1 financial instruments.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities and common stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. Investments, for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the Zoo's investment operations, as well as the internal administrative expenses associated with the Zoo's investment program.

Grants, Gifts and Pledges

The Zoo receives pledges, grants and gifts of financial support from corporations, foundations and individuals. Revenue is recognized and a receivable is recorded when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including any condition such as timing, have been met. In the absence of such promises, revenue is recognized when the gift is received. Revenue is recognized and a receivable is recorded relative to grants when the related reimbursable expenses are incurred.

Management has reviewed grants and pledges receivable and considers them to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

The Zoo records as revenue, the value of donated services provided by qualified professionals that the Zoo would have purchased if not donated. Additionally, a substantial number of volunteers have donated significant amounts of their time on the Zoo's behalf, which has not been recognized in the accompanying financial statements.

Inventories and Prepaid Items

Inventories and prepaid items include animal care supplies that are stated at the lower of cost (first-in, first-out basis) or market value. Certain payments reflecting costs applicable to future accounting periods are recorded as prepaid items.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Capital Assets and Collections

Capital assets are recorded at cost or, if donated, at fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. Capital assets are defined as those assets with an initial, individual cost of over \$2,500. Major renewals and betterments which are significant and add to the productive capacity or extend the useful life of capital assets are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, which are summarized as follows:

Buildings, including improvements	27 - 40 years
Furnishings and equipment	3-5 years

The Zoo does not capitalize purchased or donated animals that are held for public exhibition, education, research and public service. Purchases of collection items are recorded as decreases in unrestricted net position in the year in which the items are acquired. Donated collection items are not recognized as revenues. These collections are neither disposed of for financial gain nor encumbered in any means.

Purchases and exhibit fees of collection items totaled approximately \$135,000 and \$151,300, which is included in animal care and guest services under special events expense at June 30, 2016 and 2015, respectively.

Impairment of long-lived assets occurs when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. The impairment is measured by the difference between the assets' carrying amount and their fair value, based on the best information available, including market prices or discounted cash flow analysis. Management reviewed the Zoo and its operations to determine if impairment exists. No impairments were noted for the years ended June 30, 2016 and 2015.

Service Concession Agreement

Service concession agreement represents capital assets constructed by the Zoo on leased land under a service concession agreement are reported in the statements of net position at cost which revert back to the landlord should the Zoo vacate the premises. These assets, as they are placed into service are being amortized on the straight-line basis over the estimated useful lives of the underlying assets which range from 27 to 40 years or the term of the arrangement, whichever is shorter.

Advances from Grantors

Advances from grantors consists primarily of grants, deposits on rental events and gifts for fundraising events to be held in the following fiscal year.

Fringe Benefits

The Zoo provides a fringe benefit program for its employees including health and dental insurance, life and disability insurance, and unemployment and worker's compensation benefits. There is also a 401(k) plan with voluntary employee contributions and a partial employer match. (See Note 12)

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the Zoo's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Employees may use this time in addition to other vacation time earned each year within the established limits. Unused time is paid to the employee upon termination or retirement. Compensated absences are recorded as a non-current liability in the statements of net position. The amount estimated to be paid during the next fiscal year is reported as a current liability.

Income Tax Status

The Zoo is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

The Zoo accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Zoo has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Zoo has determined that such tax position does not result in an uncertainty requiring recognition. The Zoo is not currently under examination by any taxing jurisdiction.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform to the current year presentation.

Subsequent Events

The Zoo has evaluated subsequent events through September 28, 2016, the date that the financial statements were available to be issued.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30:

	<i>2016</i>	<i>2015</i>
Bank balance of cash and cash equivalents	\$ 7,003,496	\$ 5,846,507
Reconciling items (deposits in transit, outstanding checks, etc.), net	<u>(1,130,513)</u>	<u>(114,267)</u>
Total cash and cash equivalents	<u>\$ 5,872,983</u>	<u>\$ 5,732,240</u>
Bank deposits insured by the Federal Deposit Insurance Corporation	\$ 520,445	\$ 520,245
Bank deposits uninsured and uncollateralized	<u>6,483,051</u>	<u>5,326,262</u>
Total bank deposits	<u>\$ 7,003,496</u>	<u>\$ 5,846,507</u>
Cash and cash equivalents as displayed on the statements of net position:		
Cash and cash equivalents	\$ 3,583,731	\$ 2,542,697
Cash and cash equivalents for investment in plant and equipment and other items	<u>2,289,252</u>	<u>3,189,543</u>
Total	<u>\$ 5,872,983</u>	<u>\$ 5,732,240</u>

The Zoo maintains cash and cash equivalent balances at an institution located in Massachusetts. The Zoo monitors its exposure associated with cash and cash equivalents and has not experienced any loss in such accounts. Per Massachusetts' General Laws, the Zoo is required to maintain its money with financial institutions that are approved by the state treasurer. At June 30, 2016, the Zoo was in compliance with such state regulations.

Note 3 - Investments

Investments, consisting of equity mutual funds, are stated at fair value and are considered Level 1 financial instruments.

The amounts invested represent funds received into the Gilmour Fund and are included in the fund balance restricted for education and other programs on the accompanying statements of net position.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 4 - Pledges Receivable

Pledges receivable are as follows at June 30:

	2016	2015
Unconditional promises expected to be collected in:		
Less than one year	\$ 167,806	\$ 110,513
One year to three years	45,333	91,700
	213,139	202,213
Less present value discount	(4,381)	(8,030)
Pledges receivable, net	\$ 208,758	\$ 194,183

Overall, a five year Treasury rate was used to calculate the present value discount. As of June 30, 2016 and 2015, this rate was 1.50% and 1.63%, respectively, and was inflated by 0.49% and 0.37%, respectively, where appropriate to reflect a risk adjustment.

Note 5 - Due from Other Governments

The Zoo participates in a variety of state and local programs which it receives grants to partially or fully finance certain activities. In addition, the Zoo receives entitlements from the State through annual appropriations and bond funds for various cultural and capital projects. Amounts due from other governments as of June 30, 2016 and 2015, respectively, are summarized below:

	2016	2015
MassWorks	\$ 138,781	\$ -
Miscellaneous	3,000	94,068
	141,781	94,068
Due from other governments	\$ 141,781	\$ 94,068

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:					
Construction in progress	\$ 104,569	\$ 717,998	\$ -	\$ (131,558)	\$ 691,009
Capital assets, being depreciated:					
Buildings, including improvements	21,530,611	579,475	-	131,558	22,241,644
Furnishings and equipment	<u>3,550,282</u>	<u>694,405</u>	<u>-</u>	<u>-</u>	<u>4,244,687</u>
Total capital assets being depreciated	<u>25,080,893</u>	<u>1,273,880</u>	<u>-</u>	<u>131,558</u>	<u>26,486,331</u>
Total at historical cost	<u>25,185,462</u>	<u>1,991,878</u>	<u>-</u>	<u>-</u>	<u>27,177,340</u>
Less: accumulated depreciation for:					
Buildings, including improvements	10,152,879	748,990	-	-	10,901,869
Furnishings and equipment	<u>3,341,722</u>	<u>118,329</u>	<u>-</u>	<u>-</u>	<u>3,460,051</u>
Total accumulated depreciation	<u>13,494,601</u>	<u>867,319</u>	<u>-</u>	<u>-</u>	<u>14,361,920</u>
Net capital assets	<u>\$ 11,690,861</u>	<u>\$ 1,124,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,815,420</u>

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 6 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2015 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ 104,569	\$ -	\$ -	\$ 104,569
Capital assets, being depreciated:					
Buildings, including improvements	21,307,634	222,978	-	-	21,530,612
Furnishings and equipment	<u>3,427,725</u>	<u>122,557</u>	<u>-</u>	<u>-</u>	<u>3,550,282</u>
Total capital assets being depreciated	<u>24,735,359</u>	<u>345,535</u>	<u>-</u>	<u>-</u>	<u>25,080,894</u>
Total at historical cost	<u>24,735,359</u>	<u>450,104</u>	<u>-</u>	<u>-</u>	<u>25,185,463</u>
Less: accumulated depreciation for:					
Buildings, including improvements	9,433,190	719,689	-	-	10,152,879
Furnishings and equipment	<u>3,273,437</u>	<u>68,286</u>	<u>-</u>	<u>-</u>	<u>3,341,723</u>
Total accumulated depreciation	<u>12,706,627</u>	<u>787,975</u>	<u>-</u>	<u>-</u>	<u>13,494,602</u>
Net capital assets	<u>\$ 12,028,732</u>	<u>\$ (337,871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,690,861</u>

Note 7 - Construction Commitments

The construction projects in progress that are included in Construction in Process (CIP) above are for the several ongoing renovation projects at the Stone Zoo as well as an upgrade to the Zoo's Point of Sale system yet to be placed in service. Related to the above projects, the Zoo had construction commitments of approximately \$9,000 at June 30, 2016.

Note 8 - Service Concession Agreement

Children's Zoo - George Robert White Fund

The Zoo has a lease for its administrative office buildings which sits on approximately 14,400 square feet of space located at One Franklin Park Road, three additional temporary office buildings of approximately 20,000 square feet and approximately four acres comprising the Children's Zoo from the George Robert White Fund (the GRW). The terms and conditions of the lease are such that the arrangement should be accounted for as a service concession agreement under GASB regulations. The current lease term continues through July 1, 2019 and calls for perpetual renewals so long as the Zoo is not in default of any of the provisions contained in the lease.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Notes to Financial Statements

Note 8 - Service Concession Agreement (Continued)

Children's Zoo - George Robert White Fund (Continued)

The lease calls for payments of \$1.00 to be paid annually by the Zoo and requires the Zoo to operate the facilities in accordance with the charitable purposes of the GRW. The Zoo has entered into the agreement in order to secure the facilities necessary to operate the Franklin Park Zoo. The lease agreement does not contain any transfer of ownership clauses that would convey ownership to the Zoo and furthermore includes a clause that states that all structural repairs, alterations, replacements, additions, improvements or renovations shall become the sole and exclusive property of the GRW upon termination of the lease. As such, all funds invested by the Zoo on this property are reported as Service concession agreement.

Per the terms of the lease, the Zoo is required to acknowledge in its financial statements that the use of the facility is a "gift-in-title" from the GRW and that the value of this gift is equal to \$10.00 per square foot. As such, the Zoo acknowledges the value of the "gift-in-kind" to be \$144,120 for the years ended June 30, 2016 and 2015.

During 2011, the Zoo entered into an agreement with the George Robert White Fund (GRWF) to upgrade and expand the Children's Zoo within the Franklin Park Zoo. The agreement calls for the GRWF to invest a total of \$3,000,000, \$750,000 of which was made available immediately and the balance of \$2,250,000 to be made available for the project upon the Zoo raising \$2,250,000 in matching funds. As of June 30, 2015, the Zoo had fulfilled this commitment by raising a cumulative total of \$3,912,634. The assets related to this upgrade are expected to be on the books of both the Zoo and GRWF for the amounts both entities pay.

During fiscal year ended June 30, 2016, the Zoo entered into contracts with a design firm and a general contractor totaling approximately \$3,500,000 for the construction and related engineering of the Children's Zoo, of which approximately \$1,750,000 was paid through June 30, 2016. Subsequent to year end, the Zoo paid \$491,631 under this contract through September 28, 2016.

Service concession agreement activity for the years ended June 30, 2016 and 2015 was as follows:

June 30, 2016:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Intangible assets	\$ <u>745,908</u>	\$ <u>1,614,377</u>	\$ <u>-</u>	\$ <u>2,360,285</u>

June 30, 2015:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Intangible assets	\$ <u>494,951</u>	\$ <u>250,957</u>	\$ <u>-</u>	\$ <u>745,908</u>

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 8 - Service Concession Agreement (Continued)

Concessionaire

The Zoo executed an agreement with a vendor to sell food, beverages and retail merchandise to patrons of the facility (see Note 9). The terms and conditions of the lease are such that the arrangement should be accounted for as a service concession agreement under GASB regulations. Under the terms, the vendor is required to make an upfront payment to the Zoo of \$50,000 and to expend an additional \$550,000 in capital improvements to the food service facilities that are to be amortized over the term of the lease with the Zoo retaining ownership upon termination of the agreement of the assets. Also, the agreement stipulates that if it is terminated for any reason other than voluntary abandonment by the vendor prior to the end of its ten year term, the unamortized amount will be reimbursed to the vendor. As these improvements are placed into services, the amounts are recorded as capital assets on the statements of net position and depreciated along with the Zoo's other fixed assets. The assets will be offset by deferred inflows which will be amortized over the five year term of the lease and recorded into revenues.

As of June 30, 2016, none of the capital expenditures have been placed in service as such there are no related capital assets or depreciation included on the Zoo's statements of net position and no amount of offsetting deferred inflows as well.

Note 9 - Food Service Tenant Agreement

The Zoo has entered into an agreement with a tenant for the use of certain Zoo facilities including customer service and concession areas. This agreement includes: advertising, food and beverage, retail and vending machines. The agreement calls for commissions to be paid to the Zoo on a monthly basis based upon the food, beverage, and merchandise sales ranging from 10% to 17.5% of gross receipts.

Note 10 - Operating Leases

The Zoo leases two copiers under operating leases that expire at various times through August 2020. The approximate minimum annual payments under these leases are as follows:

2017	\$	17,300
2018		15,400
2019		15,400
2020		15,400
2021		1,300

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 11 - Debt

The Zoo has a demand line of credit with a bank, whereby it may borrow up to \$1,000,000 with interest payable monthly, at a borrowing rate of 30-day LIBOR plus 3.50% (3.97% at June 30, 2016). Borrowings under this demand line of credit are collateralized by substantially all assets of the Zoo and terminate at the discretion of the bank. There was no outstanding balance on the line of credit at June 30, 2016 and 2015.

During 2016, the Zoo took on a term note in the original amount of \$72,178 to finance a boiler replacement. The note is payable in monthly installments of \$3,095 including interest at 4%. The balance of \$36,257 is due in fiscal year ending June 30, 2017.

Note 12 - Retirement Plan

The Zoo has in effect a 401(k) plan covering eligible employees. Matching contributions to the plan are at the discretion of the Board of Directors and are funded on a current basis. Employer contributions to the plan totaled \$104,621 and \$100,285 for the years ended June 30, 2016 and 2015, respectively.

Note 13 - Government Support

The Zoo received funds from the Commonwealth for unrestricted operating purposes in the total amount of \$4,900,000 for the year ended June 30, 2016 and \$6,418,519 for the year ended June 30, 2015. In addition, the Zoo received \$3,000,000 of bond funding from the Commonwealth that was restricted for various uses specified in a detailed budget provided by the Commonwealth for the year ended June 30, 2016.

Note 14 - Donated Materials and Services

The Zoo received donations of materials and services totaling \$688,472 and \$637,306 for the years ended June 30, 2016 and 2015, respectively. The value of donated materials was \$161,133 and \$246,823 for the years ended June 30, 2016 and 2015, respectively, and consisted primarily of supplies for animal care and other purposes.

The value of donated services provided by qualified professionals and recognized as unrestricted contribution revenue and a corresponding expense totaled \$525,339 and \$390,483 for years ended June 30, 2016 and 2015, respectively. These services are primarily for advertising, legal services and veterinary services. Additionally, a substantial number of volunteers have donated significant amounts of time on the Zoo's behalf, which has not been recognized in the accompanying financial statements.

Note 15 - Related Party Transactions

Certain members of the Board of Directors provide donated legal services from their respective firms which are valued and included in both gift income and general and administrative expenses. For the year ended June 30, 2015, that amount totaled \$12,656. No such donated legal services were received in the year ended June 30, 2016.

**COMMONWEALTH ZOOLOGICAL CORPORATION
D/B/A ZOO NEW ENGLAND**

Notes to Financial Statements

Note 16 - Cash Flow Information

At June 30, 2016, \$661,367 of capital asset purchases were included in accounts payable.

Note 17 - Risk Management and Contingent Liabilities

The Zoo is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Zoo has purchased insurance in customary amounts for an organization of its size.

In the opinion of management, no litigation is now pending, or threatened, which would materially affect the Zoo's financial position.

Reporting Under Government Auditing Standards



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*Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

The Board of Directors
Commonwealth Zoological Corporation
d/b/a Zoo New England
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Commonwealth Zoological Corporation d/b/a Zoo New England (the “Zoo”) which comprise the statement of net position as of June 30, 2016 and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Zoo’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Zoo’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Zoo’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Zoo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Zoo's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Zoo's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Heffernan McCann P.C.

September 28, 2016
Boston, Massachusetts