



**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, 2019 and 2018



**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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Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

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, 2019 and 2018, 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.



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, 2019 and 2018, 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 24, 2019 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.

Maya Heyman McCann P.C.

September 24, 2019
Boston, Massachusetts

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Management's Discussion and Analysis

June 30, 2019 and 2018

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, 2019 ("FY 19") with the selected comparative information for the years ended June 30, 2019 and 2018 ("FY 18"). 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* depict 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 June 30th. 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 2019 – A year of milestones, progress and opportunity for our Zoos:

FY 2019 was a year of exciting new opportunities and experiences for Zoo New England (ZNE), inspiring new conservation stewards, celebrating significant births, providing immersive educational experiences, supporting new conservation programs, and connecting people of all ages to the wonders of the natural world. 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 19, a total of 708,278 guests visited the Zoos and gained a greater understanding of the incredible animals with which we share the planet. Breaking 700,000 guests in a year was a long-sought milestone for our Zoos.

Education and conservation are the cornerstones of our mission, and ZNE welcomed 59,924 Massachusetts school children who visited as part of school field trips. ZNE was once again pleased to be named a partner for the 5th Quarter of Learning program, co-managed by the Boston Public Schools and Boston After School & Beyond. 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

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specific skills such as critical thinking by providing full day integrated learning experiences. ZNE received funding from Eastern Bank to support the Boston BioBlitz, a Science, Technology, Engineering and Mathematics ("STEM") initiative designed to immerse inner city girls, ages 12-18, in structured environmental exploration while contributing to local and international biodiversity projects.

Furthering our commitment to ensure that all members of the community have the opportunity to experience the wonders of wildlife, ZNE completed KultureCity Sensory Inclusive Certification in the spring. This new initiative promotes an accommodating and positive experience for all guests with sensory processing needs. Sensory bags equipped with noise canceling headphones, fidget tools and verbal cue cards are available at the admissions booths to guests who may need extra support during their visit. Signage is posted throughout Franklin Park Zoo and Stone Zoo identifying locations for Quiet Zones and Headphone Zones.

At Franklin Park Zoo, Wicked BIG Bugs, an exciting seasonal experience, opened Memorial Day weekend. Featuring larger-than-life animatronic bugs, insects and arachnids, Wicked BIG Bugs provided the perfect opportunity to educate guests about the important role these tiny creatures play in healthy ecosystems. At Stone Zoo, improvements began in the spring for a new African spurred tortoise exhibit. Centrally located within the Zoo, this new exhibit is a dramatic improvement and in the future there will be regular feeding opportunities for the public to have an up-close experience with the tortoises.

FY 19 was a record-setting attendance year with overall attendance reaching 708,278 visitors, an increase of 12% compared to 634,179 visitors in FY 18. The Special Events and Marketing teams continued to focus on developing more events, promotions and opportunities to attract diversified visitation and interest year-round. Zootopia, our annual fundraising gala, was a record-setting success, raising \$517,099 and attracting 425 attendees. In addition to Zootopia, a host of other popular events were presented throughout the year including Brew at the Zoo and Roars and Pours at Franklin Park Zoo, and A Wild Affair, Sunset Sips and Ales and Tails at Stone Zoo. All of these events are 21+ and are designed to introduce new audiences to the Zoos through an evening of fun.

Through our cooperative captive breeding programs, many new animals were born or hatched throughout the year and many new animals were brought into the collection from other zoos to bolster our breeding and education programs. Notable births included a white-cheeked gibbon, Linne's two-toed sloth and a De Brazza's monkey. A number of other animals moved 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. Through innovative community-based outreach and resource initiatives, ZNE's Grassroots Wildlife Conservation has engaged thousands of schoolchildren and volunteers in on-the-ground rare species conservation efforts focused on species including Blanding's turtles, eastern spadefoot toads, bridle shiners, marbled salamanders, and New England blazing star. Throughout the 2018/2019 school year, 3,370 students from 144 classrooms in 40 schools participated in ZNE's HATCH program (Hatchling and Turtle Conservation through Headstarting). Through this impactful program, students have the hands-on opportunity to utilize STEM skills while raising hatchling Blanding's turtles and snapping turtles in their classrooms. In the spring, the turtles, which have grown to a size where they are less prone to predation, are released back into the wild. Working in collaboration with Mass Wildlife, ZNE is conducting field research and conservation on several other threatened turtle species as well.

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ZNE's Conservation department is committed to preserving local biodiversity of rare native animals and plants, while also working to save species on a national and international level. In FY 19, several long-term conservation partnerships were established with the Snow Leopard Trust, Wildlife Conservation Society's Cross River Gorilla project, the Association of Zoos and Aquariums' Giraffe SAFE (Saving Animals from Extinction) program, and the Baird's Tapir Survival Alliance. ZNE also continued its long-term support of the Panama Amphibian Rescue and Conservation Project.

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 up to four people for \$4.00 per person. Participation increased in FY 19 with 37,296 participants compared to 35,244 participants in FY 18.
- Community Pass Program: Non-profit organizations and community groups are eligible to receive a limited number of free admission passes. ZNE distributed 4,290 passes to non-profit organizations and community groups during FY 19.
- Organizational Pass Program: Non-profit organizations may purchase an institutional pass enabling groups of individuals to attend the Zoos at greatly reduced cost.
- Through a partnership with the Wonderfund, ZNE offered 200 foster families served by the Massachusetts Department of Children and Families free family memberships to Franklin Park and Stone Zoos.

Animal Exhibits

- As of June 30, 2019, Franklin Park Zoo features 63 public animal exhibits and Stone Zoo features 46. Zoo New England is home to more than 2,200 animals representing more than 200 different species.
- In early May, the *Masters of Flight: Birds of Prey* show returned to Stone Zoo for the start of its 10th season. This educational program, that presents exotic, free-flight birds, continues to receive rave reviews from our guests. Stone Zoo once again welcomed back two adult American alligators to the seasonal alligator exhibit. The adult alligators are complimented by young alligators presented by our Education staff at the exhibit in a hands-on learning program.
- At Franklin Park Zoo, Aussie Aviary, a free-flight, interactive exhibit home to several hundred brightly colored budgies, and Butterfly Hollow, filled with hundreds of free-flight butterflies, continued to delight visitors of all ages.

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- Significant acquisitions at Franklin Park Zoo included a young male warthog to pair with the current female, a young male African crested porcupine to pair with the young female who arrived the previous year, and a young male red river hog that will eventually be paired with two young female red river hogs as a breeding recommendation. Births at Franklin Park Zoo included around 20 black-tailed prairie dogs and a female De Brazza's monkey. At Stone Zoo, significant births included a prehensile-tailed porcupine, a Linne's two-toed sloth, a pair of bush dog puppies, and a white-cheeked gibbon.
- While not a live animal exhibit, Wicked BIG Bugs, a temporary animatronic bug exhibit, was installed at Franklin Park Zoo toward the end of FY 19 and will be open for the first two months of FY 20. These larger-than-life animatronic bugs, insects and arachnids provide the perfect opportunity to educate guests about the important role these tiny creatures play in healthy ecosystems. Guests pay an additional fee to experience this temporary exhibit.

Attendance

- In FY 19, Zoo New England experienced an increase in daytime attendance with 644,030 visitors compared to 592,682 visitors in FY 18.
- Franklin Park Zoo's total attendance (inclusive of an evening pumpkin show primarily in October) reached 409,084, an increase of 29,047 from 380,037 in FY 18.
- Stone Zoo's daytime attendance reached 234,946, an increase of 22,300 from 212,646 in FY 18.
- Total FY 19 attendance for ZooLights (Stone Zoo's evening holiday light show, which operates primarily in the month of December) was 64,248, an increase of 22,751 compared to 41,497 in FY 18.
- Total overall attendance inclusive of ZooLights in FY 19 was 708,278, compared to 634,179 in FY 18.

Membership

- In FY 19, Membership revenues from over 19,000 member households brought in over \$1,950,000, an increase of more than \$250,000 compared to FY 18. This is the fifth year that revenue has exceeded \$1,600,000 and the first time ever exceeding \$1,900,000.

Education

- In FY 19, we reached 290,281 people through our scheduled programming and interpretation. This is an increase of 30% from FY 18 when we reached 223,003 people. This is due to the increase in assembly programs, an increase in participants for our homeschool and vacation week programs, and an increase in Zoo Ambassadors at both Zoos.
- Our overall interpretation reach was 276,432 in FY 19, which represents a 32% increase from 209,718 in FY 18. This year, we had more trained Zoo Ambassadors who continued to volunteer with us for a longer period of time.

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- In the spring, we completed our KultureCity Sensory Inclusive Certification. This new initiative will promote an accommodating and positive experience for all guests with sensory processing needs. Sensory bags equipped with noise canceling headphones, fidget tools and verbal cue cards are available at the admissions booths to guests who may need extra support during their visit. Prior to their visit, guests can download the free KultureCity App where they can view sensory features available to them at both Franklin Park Zoo and Stone Zoo, including locations for Quiet Zones and Headphone Zones.
- Summer ZooCamp continues to grow. In FY 19, ZooCamp at Stone Zoo was at 99% capacity with 204 participants. At Franklin Park Zoo, ZooCamp was 95% full with 434 spots filled, an increase of the 380 spots filled in FY 18.

Rentals and Private Events

- In FY 19, 97 individuals and 26 corporations hosted events ranging from birthday parties to corporate functions to outdoor concerts. A total of 123 events were held between 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 contributed vital assistance to Zoo New England. In FY 19, 249 regular individual volunteers donated a total of 13,825 hours of service. Individual volunteers worked in all departments, contributing significantly to the operation of Franklin Park Zoo and Stone Zoo.
- In FY 19, 3,801 group volunteers contributed 9,621 hours of service. Group volunteers from corporate groups, schools and volunteer organizations helped with a variety of projects at both Zoos.
- In FY 19, 51 interns contributed 8,429 hours of vital assistance to Zoo New England while gaining tremendous knowledge and preparation for future work opportunities.
- In total, 26,055 hours of essential services were contributed by 4,101 individual volunteers, group volunteers and interns in FY 19.

Teen Programs

- In FY 19, Zoo New England's Youth Programs department hosted 78 young people in three different programs.
- The cornerstone of our youth programming is our summer ZooTeen Program. Since its inception in 1999, the ZooTeen program has engaged Boston youth with authentic work experiences that allow young people to develop professionally, build a strong sense of self, and provide for themselves and their families. In FY 19, 39 ZooTeens worked in a wide-range of departments at Franklin Park Zoo, which included Animal Care, Education, ZooCamp, Commissary, Facilities, and Guest Services. The ZooTeens also participated in 30 hours of professional development workshops over the course of the summer. The workshops provide them with exposure to STEM fields, as well as experience navigating through topics such as workplace communication and problem solving, professionalism, and career readiness.

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- Similar to the ZooTeen program, the Teen Ambassador program offers authentic work experience and professional development opportunities during the school year. In FY 19, we employed nine Teen Ambassadors. During the school year, the Teen Ambassadors participated in community events, created conservation and zoology themed activities, and went into the field with ZNE's Grassroots Wildlife Conservation staff to learn about turtle conservation efforts. The Education Teen Ambassadors also helped create lesson plans for the Junior ZooTeen Program and served as mentors to the program participants.
- As a stepping stone for the ZooTeen program, the Junior ZooTeen Program engages youth ages 11 to 14 in experiences that allow them to learn more about modern zoos, zoo careers, and conservation. In FY 19, we hosted two separate 8-week Junior ZooTeen sessions, and had a total of 29 Junior ZooTeen participants.
- ZNE received funding from Eastern Bank to support the Boston BioBlitz, a STEM initiative designed to immerse inner city girls, ages 12-18, in structured environmental exploration while contributing to local and international biodiversity projects.

Fundraising

- Total fundraising for FY 19 consisted of the receipt of unrestricted gifts and pledges of approximately \$2,314,522 along with the receipt of restricted/capital gifts and pledges totaling approximately \$2,734,788. Such gifts represent an overall increase from FY 18 of approximately \$694,406 or 16%. The above gifts were received from individuals, foundations and corporations including corporate sponsorships (see below for detailed breakdown).
- A variety of capital projects raised \$2,385,650, including accessibility initiatives (public walkway paving, automatic door opener installation, etc.), the Caribbean Coast at Stone Zoo, and the proposed Franklin Park Zoo Welcome Plaza – all contributing to an ongoing transformation for the Zoos.
- ZNE received its third capital gift from an individual donor, \$1,666,800, designated for capital developments at Stone Zoo.
- In FY 19, funds raised totaled \$1,534,811.
- Unrestricted individual giving from donors was \$737,011, which was 98% of the goal set at \$750,000.
- Corporate support has been steady for several years. Corporate gifts include matching gifts and unrestricted corporate sponsorships, and generated \$157,828 in FY 19, an increase of \$32,016 compared to FY 18.
- Unrestricted foundation support totaled \$122,873. In FY 18, unrestricted grants totaled \$141,099.
- FY 19 has shown an increase in overall foundation grants. Fifty-four grant proposals were submitted, which is 10% more than the 49 submitted last year. This increase in proposals is a result of more funding needs at ZNE, and the networking and advocacy of Board members and other lead donors.

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- Zootopia, ZNE's largest fundraising gala, has increased revenues every year since 2013. The event, held on May 12, 2019, attracted record attendance of 425 guests and raised \$517,099, exceeding the goal of \$500,000. Event revenue increased by \$40,099 compared to the \$477,000 raised in FY 18. Pledge payments were received earlier and on time this year to complete accounting by June 30.
- Operating restricted funds raised in FY 19 increased 48% to \$291,045 compared to \$196,325 raised in FY 18. This number reflects in part the enthusiasm for the work of ZNE's Grassroots Wildlife Conservation.
- We also had achievements with restricted and capital grants, most notably with a foundation which awarded \$500,000 for developing a new welcome center and exhibit at FPZ.

Marketing and Communications

- In FY 19, the Marketing and Communications department focused on raising Zoo New England's profile, locally, nationally and internationally, in regard to conservation and education. A high profile example includes the June 2, 2019 story on the One Health Clinical Elective, a unique collaboration between ZNE and Harvard Medical School, which aired on NBC Nightly News. In the spring of 2019, ZNE received extensive coverage on its wood turtle monitoring project in partnership with the Massachusetts Division of Fisheries and Wildlife. In addition to the larger stories focused on conservation and education, we secured a wide range of media coverage focused on births, events and promotions.
- Throughout FY 19, Zoo New England's media efforts generated a reach of an estimated 1,417,599,040 in total circulation, listenership and viewership. In FY 19, the estimated combined editorial value was \$3,042,776.61 (These measurements were based on standard industry metrics for quantifying the impact and value of media coverage).
- Social media continues to be a big area of focus. In FY 19, the Facebook audience for Franklin Park Zoo grew by 34%, from 57,984 followers to 77,416. Stone Zoo's Facebook audience grew by 40%, from 41,116 followers to 57,757. Zoo New England's Instagram followers grew from 12,649 to 24,030, or by 92%, while the Twitter audience increased 2%, from 10,484 to 11,289.

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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 \$27.5 million at June 30, 2019, a \$2 million increase from June 30, 2018.

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

	2019	2018	2017
Assets:			
Current and other assets	\$ 6,536,693	\$ 4,431,230	\$ 7,688,458
Capital assets	19,797,189	19,801,069	15,292,695
Service concession	<u>3,807,211</u>	<u>3,978,833</u>	<u>4,097,240</u>
Total assets	30,141,093	28,211,132	27,078,393
Liabilities:			
Current liabilities	2,155,109	2,205,959	2,822,079
Noncurrent liabilities	<u>178,383</u>	<u>202,689</u>	<u>334,855</u>
Total liabilities	2,333,492	2,408,648	3,156,934
Deferred inflows of resources	336,072	289,548	189,984
Net Position:			
Invested in capital assets	23,604,400	23,779,902	19,389,935
Restricted	2,112,554	575,762	2,015,121
Unrestricted	<u>1,754,575</u>	<u>1,157,272</u>	<u>2,326,419</u>
Total net position	\$ <u>27,471,529</u>	\$ <u>25,512,936</u>	\$ <u>23,731,475</u>

Net position is comprised of three components as follows:

Invested in capital assets and intangibles represents the largest portion of ZNE's net position (86% at June 30, 2019). 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.

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FINANCIAL POSITION SUMMARY (Continued)

Restricted net position (8% at June 30, 2019) 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 (6% at December 31, 2019) 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, 2019, 2018 and 2017:

Asset Classification	2019	2018	2017
Construction in process	\$ 318,771	\$ 104,862	\$ 185,687
Building and land improvements	32,118,665	31,356,405	25,613,031
Furnishings and equipment	<u>5,615,612</u>	<u>5,012,352</u>	<u>4,854,995</u>
 Total	 38,053,048	 36,473,619	 30,653,713
 Accumulated depreciation	 <u>18,255,859</u>	 <u>16,672,550</u>	 <u>15,361,018</u>
 Capital assets, net	 <u>\$ 19,797,189</u>	 <u>\$ 19,801,069</u>	 <u>\$ 15,292,695</u>

ZNE's gross capital assets have increased approximately \$1,580,000 during the current year which represents a reduction in capital asset additions from FY 18 due to the substantial completion of the second phase of the Welcome Plaza at the Stone Zoo in FY 18. 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 5 - Capital Assets" in the Notes to Financial Statements.

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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:

	2019	2018	2017
Operating revenues	\$ 8,012,256	\$ 6,842,931	\$ 6,081,124
Operating expenses	18,777,321	16,713,527	15,799,552
Non-operating revenues	74,348	47,153	(325,060)
Capital contributions	<u>12,649,310</u>	<u>11,604,904</u>	<u>12,942,713</u>
Change in net position	1,958,593	1,781,461	2,899,225
Net position, beginning of year	<u>25,512,936</u>	<u>23,731,475</u>	<u>20,832,250</u>
Net position, end of year	\$ <u>27,471,529</u>	\$ <u>25,512,936</u>	\$ <u>23,731,475</u>

OPERATING REVENUES AND OPERATING EXPENSE HIGHLIGHTS

The increase in operating revenues is due to multiple factors including the annual rate increases, a 12% increase in attendance at the Zoo. 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 salaries and wages expenses due to an increased amount of seasonal employees hired. Also contributing to the overall increase is an increase of approximately \$273,000 of depreciation and amortization expense due to the significant amount of assets placed in service during FY 2018.

CAPITAL CONTRIBUTION HIGHLIGHTS

Overall increase in current year capital contributions of approximately \$1,000,000 is being driven by a \$500,000 pledge received in May 2019 from a local foundation.

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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 2019, school group visitation increased 4.5% to 59,924 students, compared to 57,310 in FY 18. These students attended Franklin Park Zoo and Stone Zoo at no cost. Field trips to the Zoos 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.

Through the administration and the legislature, the Commonwealth of Massachusetts has been a committed collaborator in the success of this public-private partnership. ZNE receives state appropriations through the Massachusetts Office of Business Development. In FY 19, operating support for Zoo New England increased to \$6,600,000 in state funds. Additionally, capital support was \$1 million in FY 19 for deferred maintenance and capital improvements from the state bond funds. Capital improvements included replacing two building roofs, new monitoring and alarm systems at both Zoos, fencing upgrades, and exhibit improvements at Stone Zoo for arctic fox, lynx, jaguar, and colobus and spider monkeys. The Zoo will receive the same amount in support in FY 19.

Admission & Membership Rates

The rates in effect as of June 30, 2019 are as follows:

Admission Fees	Franklin Park Zoo	Stone Zoo
Adult	\$21.95	\$19.95
Child (2-12)	\$14.95	\$12.95
Senior (62+)	\$19.95	\$17.95

Membership Fees (for both Zoos)

Individual \$85.00
Dual \$100.00
Family \$125.00
Family + \$150.00
Friend \$175.00
Founder \$1,000

Factors Impacting Future Periods:

Zoo New England continues to make tremendous progress in this phase in its history. There has not been a more exciting, nor promising, time for our Zoos in many decades. With a growing cadre of attendees, members, friends, supporters and collaborators, ZNE is positioning our Zoos for greater success. In FY 19, record-setting visitation signaled that the capital investments, improvements and Strategic Plan implementation are yielding positive results. Membership is also at an all-time high with 19,329 member households in FY 19, representing \$1,960,866 in revenue.

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

Management's Discussion and Analysis

June 30, 2019 and 2018

FY 19 was an exciting year that marked a new attendance threshold of 708,278 visitors. Crowds responded well to the opening of the Caribbean Coast at Stone Zoo, as well as aesthetic improvements at Franklin Park Zoo. Day time attendance at Stone Zoo grew by 22,300 visitors, representing a 9% increase from 212,646 visitors in FY 18 to 234,946 in FY 19. At Franklin Park Zoo, a number of improvements and the addition of a Halloween evening event were responsible for attendance growth of 29,047 visitors, representing a 7% increase from 380,037 visitors in FY 18 to 409,084 in FY 19. ZNE is increasing the quality and expectations of staff and programming in concert with the physical improvements in the Zoos. These enhancements are impacting the quality of the guest experience and resulting in a positive impression of the Zoos as well as the increased visitation.

Total state funding for FY 20 is level at a total of \$7,600,000. The Commonwealth continues to be a strong partner in the success of our Zoos and this continuing investment is a positive sign. Of these funds, \$1 million will again be dedicated to improvements to the facilities. We are committed to continual improvement at both Zoos and in recent years have made significant changes. We will seek additional capital support from the Commonwealth to stimulate increased non-governmental support for major capital improvements.

The three-year Strategic Plan that was implemented in 2017 has proven extremely valuable in focusing the organizational priorities. In FY 20, ZNE executive leadership and the Board will review and refine the goals with focus on continued progress and measurable deliverables.

For the fourth year in a row, Zootopia, our annual gala, set a new revenue record. Beyond this, the excitement of the Zootopia attendees about the tremendous accomplishments at our Zoos was felt by all in attendance. Dr. E.O. Wilson, a world renowned biologist and conservationist, was our guest of honor for the evening.

Through continued implementation of the Strategic Plan, we will also continue to advance our conservation impact, as well as expand our capacity to create fun and engaging experiences that connect all of our visitors to the wonders of the natural world. Through grant funding, we were able to expand our impactful HATCH (Hatchling and Turtle Conservation through Headstarting) program into the Boston Public Schools, enabling these students to have a unique hands-on science learning opportunity. The Boston Biodiversity Consortium, organized by ZNE's VP of Animal Health and Conservation, is continuing its work of convening conservationists and conservation organizations in sharing their work in and around Boston and Massachusetts as a whole. ZNE once again served on the Boston Area City Nature Challenge Steering Committee. We are further expanding our conservation work, both locally and internationally, as well as positioning ZNE as a trusted leader in this field.

ZNE will continue to develop, refine and expand a variety of earned revenue sources as demonstrated in recent years in order to expand operations. 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.

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

Management's Discussion and Analysis

June 30, 2019 and 2018

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 Cathy Kane, Executive Vice President, Zoo New England, 1 Franklin Park Road, Boston, MA 02121.

Financial Statements

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

Statements of Net Position

	<i>June 30,</i>	
	2019	2018
Assets		
Current:		
Cash and cash equivalents	\$ 3,673,495	\$ 3,213,742
Cash and cash equivalents for investment in plant and equipment and other items	1,486,441	531,676
Investments	86,384	84,923
Accounts receivable	124,271	153,361
State appropriations receivable	178,691	72,500
Pledges receivable, net	194,056	170,399
Prepaid expenses and other assets	203,951	69,273
Inventories	77,250	84,892
Noncurrent:		
Pledges receivable, net	512,154	50,464
Capital assets - net of accumulated depreciation	19,797,189	19,801,069
Service concession agreement - net of accumulated amortization	3,807,211	3,978,833
	30,141,093	28,211,132
Total assets		
Liabilities		
Current:		
Accounts payable	1,101,825	1,152,106
Accrued compensation	340,916	304,398
Accrued liability for compensated absences	346,478	326,218
Accrued expenses	266,421	347,939
Deferred revenues and advances from grantors	99,469	75,298
Noncurrent:		
Utilities note payable	-	49,664
Accrued liability for compensated absences	178,383	153,025
	2,333,492	2,408,648
Total liabilities		
Deferred inflows of resources	336,072	289,548
Net position		
Invested in capital assets and intangibles	23,604,400	23,779,902
Restricted for:		
Capital projects	1,595,007	149,533
Education and other programs	517,547	426,229
Unrestricted	1,754,575	1,157,272
	27,471,529	25,512,936
Total net position	\$ 27,471,529	\$ 25,512,936

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

Statements of Revenue, Expenses and Changes in Net Position

	Years Ended June 30,	
	2019	2018
Operating revenues:		
Guest operating revenue:		
Admissions	\$ 4,635,723	\$ 3,939,925
Concessions revenue	337,234	304,700
Membership fees	<u>1,960,866</u>	<u>1,719,689</u>
Total guest operating revenue	6,933,823	5,964,314
Other operating revenue	<u>1,078,433</u>	<u>878,617</u>
Total operating revenue	<u>8,012,256</u>	<u>6,842,931</u>
Operating expenses:		
Animal care	4,604,632	4,393,407
Educational	951,435	874,048
Facilities and grounds	4,713,701	4,317,816
Fundraising	893,832	637,760
General and administrative	2,582,360	2,301,064
Guest services	3,276,434	2,707,460
Depreciation and amortization	<u>1,754,927</u>	<u>1,481,972</u>
Total operating expenses	<u>18,777,321</u>	<u>16,713,527</u>
Operating loss	<u>(10,765,065)</u>	<u>(9,870,596)</u>
Non-operating revenues:		
Investment income	<u>74,348</u>	<u>47,153</u>
Loss before capital contributions	<u>(10,690,717)</u>	<u>(9,823,443)</u>
Capital contributions:		
State appropriations	7,600,000	7,250,000
Private gifts - unrestricted	2,324,677	1,778,346
Private gifts - restricted	<u>2,724,633</u>	<u>2,576,558</u>
Total capital contributions	<u>12,649,310</u>	<u>11,604,904</u>
Change in net position	1,958,593	1,781,461
Net position, beginning of year	<u>25,512,936</u>	<u>23,731,475</u>
Net position, end of year	<u>\$ 27,471,529</u>	<u>\$ 25,512,936</u>

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

Statements of Cash Flows

	Years Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Operating revenues from guests	\$ 6,933,823	\$ 5,964,314
Other operating revenue	1,131,694	817,493
Payments to employees	(7,841,125)	(7,375,529)
Payments for benefits	(2,119,127)	(1,945,782)
Payments for utilities	(1,612,636)	(1,620,664)
Payments to suppliers	(5,405,294)	(5,226,369)
Net cash used in operating activities	<u>(8,912,665)</u>	<u>(9,386,537)</u>
Cash flows from non-capital financing activities:		
State appropriations	4,480,873	5,309,140
Gifts and grants for other than capital purposes	1,799,974	1,689,677
Net cash provided by non-capital financing activities	<u>6,280,847</u>	<u>6,998,817</u>
Cash flows from capital and related financing activities:		
State appropriations - restricted to capital use	3,012,936	2,941,680
Purchases of capital assets	(1,764,114)	(5,350,650)
Purchases of intangible - service concession agreement	-	(52,026)
Private gifts - restricted	2,724,627	3,485,188
Net cash provided by investing activities	<u>3,973,449</u>	<u>1,024,192</u>
Cash flows from investing activities:		
Investment income	74,348	47,153
Purchase of investments	(1,461)	(10,957)
Change in cash held for investment in plant and equipment	(954,765)	1,513,498
Net cash provided by investing activities	<u>(881,878)</u>	<u>1,549,694</u>
Net increase in cash and cash equivalents	459,753	186,166
Cash and cash equivalents, beginning	3,213,742	3,027,576
Cash and cash equivalents, ending	<u>\$ 3,673,495</u>	<u>\$ 3,213,742</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (10,765,065)</u>	<u>\$ (9,870,596)</u>
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	1,754,927	1,481,972
Change in allowance for uncollectible pledges	(12,629)	(5,315)
Receivables	41,719	(32,809)
Inventories	7,642	(31,532)
Prepaid expenses and other assets	(134,678)	153,529
Accounts payable	220,294	(1,033,543)
Accrued compensation	36,518	28,895
Accrued liability for compensated absences	45,618	62,219
Accrued expenses	(131,182)	(116,357)
Advances from grantors	24,171	(23,000)
Total adjustments	<u>1,852,400</u>	<u>484,059</u>
Net cash used in operating activities	<u>\$ (8,912,665)</u>	<u>\$ (9,386,537)</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 (“Commonwealth”) and is governed by a Board of Directors of up to thirty members of which two members are appointed by the Governor of the Commonwealth and one member is appointed by the Mayor of the City of Boston. The Commonwealth does not appoint a voting majority of the Zoo’s governing board. Nonetheless, the Zoo is considered a component unit of the Commonwealth because of its fiscal dependence on the Commonwealth. The Commonwealth is financially accountable for the Zoo and can significantly influence the Zoo. 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 Executive Office of Housing and Economic Development. 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.

The Franklin Park and Stone Zoo’s current accreditations from the Association of Zoos and Aquariums (“AZA”) will expire in September 2024. 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.

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 statements 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. Restricted cash represents amounts received with donor-imposed restrictions and such amounts have been classified as cash and cash equivalents restricted for investment in plant and equipment and other items in the accompanying statements of net position.

Investments and 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.

**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)

Fair Value Measurements (Continued)

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.

Grants, Gifts and Pledges

The Zoo receives pledges, grants and gifts of financial support from corporations, foundations and individuals. Such revenue is recognized in accordance with GASB No. 33, when all eligibility requirements have been met. Pledges are recognized when all eligibility requirements have been met, provided the pledge is verifiable and the resources are measurable and probable for collection.

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, Prepaid expenses and other assets

Inventories 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 and other assets.

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 \$139,200 and \$139,700, which is included in animal care and guest services at June 30, 2019 and 2018, respectively.

**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 (Continued)

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, 2019 and 2018.

Service Concession Agreements

Service concession agreements represent both capital assets constructed by the Zoo on leased land under a service concession agreement and are reported in the statements of net position at cost and which revert back to the landlord should the Zoo vacate the premises as well as assets purchased by the concession vendor per the terms and conditions of a lease agreement that should be accounted for as a service concession agreement under GASB regulations. The assets constructed by the Zoo are being amortized over the straight-line basis over their estimated useful lives of the underlying assets which range from 27 to 40 years. The assets purchased by the concession vendor are capitalized consistent with the methodology the Zoo uses to capitalize its other capital assets along with a corresponding amount recorded as deferred inflows which is amortized over the life of the lease.

Deferred Revenues and 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.

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.

**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)

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.

Subsequent Events

The Zoo has evaluated subsequent events through September 24, 2019, 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:

	2019	2018
Bank balance of cash and cash equivalents	\$ 5,308,771	\$ 3,849,164
Reconciling items (deposits in transit, outstanding checks, etc.), net	<u>(148,835)</u>	<u>(103,746)</u>
Total cash and cash equivalents	<u>\$ 5,159,936</u>	<u>\$ 3,745,418</u>
Bank deposits insured by the Federal Deposit Insurance Corporation	\$ 520,307	\$ 520,445
Bank deposits uninsured and uncollateralized	<u>4,788,464</u>	<u>3,328,719</u>
Total bank deposits	<u>\$ 5,308,771</u>	<u>\$ 3,849,164</u>
Cash and cash equivalents as displayed on the statements of net position:		
Cash and cash equivalents	\$ 3,673,495	\$ 3,213,742
Cash and cash equivalents for investment in plant and equipment and other items	<u>1,486,441</u>	<u>531,676</u>
Total	<u>\$ 5,159,936</u>	<u>\$ 3,745,418</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, 2019, 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 balance represents funds received into the Gilmour Fund which is included in the fund balance restricted for education and other programs on the accompanying statements of net position as well as approximately \$10,000 of an unrestricted stock gift received during the year ended June 30, 2019.

**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:

	2019	2018
Unconditional promises expected to be collected in:		
Less than one year	\$ 254,056	\$ 230,399
One year to five years	550,000	63,333
	804,056	293,732
Less allowance for doubtful pledges	(60,000)	(60,000)
Less present value discount	(37,846)	(12,869)
	\$ 706,210	\$ 220,863
Unconditional promises presented on the statement of net position:		
Pledges receivable, net - current	\$ 194,056	\$ 170,399
Pledges receivable, net - noncurrent	512,154	50,464
	\$ 706,210	\$ 220,863

Overall, a five year Treasury rate was used to calculate the present value discount. As of June 30, 2019 and 2018, this rate was 1.76% and 3.23%, respectively, and was inflated by 0.50% where appropriate to reflect a risk adjustment.

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

Notes to Financial Statements

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2019 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 process	\$ 104,862	\$ 314,564	\$ -	\$ (100,655)	\$ 318,771
Capital assets, being depreciated:					
Buildings, including improvements	31,356,405	762,256	-	-	32,118,661
Furnishings and equipment	5,012,352	502,605	-	100,655	5,615,612
Total capital assets being depreciated	<u>36,368,757</u>	<u>1,264,861</u>	<u>-</u>	<u>100,655</u>	<u>37,734,273</u>
Total at historical cost	<u>36,473,619</u>	<u>1,579,425</u>	<u>-</u>	<u>-</u>	<u>38,053,044</u>
Less: accumulated depreciation for:					
Buildings, including improvements	(12,774,566)	(1,252,786)	-	-	(14,027,352)
Furnishings and equipment	(3,897,984)	(330,519)	-	-	(4,228,503)
Total accumulated depreciation	<u>(16,672,550)</u>	<u>(1,583,305)</u>	<u>-</u>	<u>-</u>	<u>(18,255,855)</u>
Net capital assets	<u>\$ 19,801,069</u>	<u>\$ (3,880)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,797,189</u>

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

Notes to Financial Statements

Note 5 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2018 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 process	\$ 185,687	\$ 4,282,846	\$ -	\$ (4,363,671)	\$ 104,862
Capital assets, being depreciated:					
Buildings, including improvements	25,613,030	1,379,704	-	4,363,671	31,356,405
Furnishings and equipment	4,854,995	157,357	-	-	5,012,352
Total capital assets being depreciated	<u>30,468,025</u>	<u>1,537,061</u>	<u>-</u>	<u>4,363,671</u>	<u>36,368,757</u>
Total at historical cost	<u>30,653,712</u>	<u>5,819,907</u>	<u>-</u>	<u>-</u>	<u>36,473,619</u>
Less: accumulated depreciation for:					
Buildings, including improvements	(11,712,867)	(1,061,699)	-	-	(12,774,566)
Furnishings and equipment	(3,648,150)	(249,834)	-	-	(3,897,984)
Total accumulated depreciation	<u>(15,361,017)</u>	<u>(1,311,533)</u>	<u>-</u>	<u>-</u>	<u>(16,672,550)</u>
Net capital assets	<u>\$ 15,292,695</u>	<u>\$ 4,508,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,801,069</u>

Note 6 - Service Concession Agreements

Concessionaire

The Zoo executed an agreement with a vendor to sell food, beverages and retail merchandise to patrons of the facility (see Note 8). 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 service, the amounts are recorded as capital assets on the statements of net position and depreciated along with the Zoo's other capital assets. The assets will be offset by deferred inflows which will be amortized over the term of the lease and recorded as non-operating contribution revenue.

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

Notes to Financial Statements

Note 6 - Service Concession Agreements (Continued)

Concessionaire (Continued)

During 2019 and 2018, \$85,886 and \$135,757 of assets purchased per the above referenced agreement were placed into service and a corresponding amount of deferred inflows were recorded on the accompanying statements of net position at June 30, 2019 and 2018, respectively. During 2019 and 2018, \$39,362 and \$36,193 of the deferred inflows were amortized and recorded as non-operating contribution revenue on the accompanying statements of revenue, expenses and changes in net position, respectively.

Children's Zoo - George Robert White Fund

The Zoo has a lease for its administrative office buildings which sit 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 continued 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. The Zoo is currently working with the GRW and the City of Boston to renew the lease with no change to the terms expected.

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, see table below.

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, 2019 and 2018.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Notes to Financial Statements

Note 6 - Service Concession Agreement (Continued)

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

Service concession agreement activity was as follows:

June 30, 2019

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Service concession assets being amortized:				
Franklin Park Children's Zoo	\$ 4,290,550	\$ -	\$ -	\$ 4,290,550
Less: accumulated amortization for:				
Franklin Park Children's Zoo	<u>(311,717)</u>	<u>(171,622)</u>	<u>-</u>	<u>(483,339)</u>
Net service concession assets	<u>\$ 3,978,833</u>	<u>\$ (171,622)</u>	<u>\$ -</u>	<u>\$ 3,807,211</u>

June 30, 2018

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Service concession assets being amortized:				
Franklin Park Children's Zoo	\$ 4,238,524	\$ 52,026	\$ -	\$ 4,290,550
Less: accumulated amortization for:				
Franklin Park Children's Zoo	<u>(141,284)</u>	<u>(170,433)</u>	<u>-</u>	<u>(311,717)</u>
Net service concession assets	<u>\$ 4,097,240</u>	<u>\$ (118,407)</u>	<u>\$ -</u>	<u>\$ 3,978,833</u>

Note 7 - Fund Balance

As of June 30, 2018, the Zoo had expended approximately \$576,000 of unrestricted funds on a specific capital project at Stone Zoo in excess of the funds received and restricted for the project. The overspent amount was reflected in the financial statements as a reduction of the Zoo's unrestricted net position as of June 30, 2018. In July 2018, the Zoo received an additional contribution of \$1,666,000 from an anonymous donor restricted for such expenses and upon receipt of the funds the \$576,000 and appropriately recorded as unrestricted.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Notes to Financial Statements

Note 8 - 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 9 - Operating Leases

The Zoo leases office space in Acton, Massachusetts under an operating lease that commenced on June 17, 2019 and runs through June 30, 2022. In addition, 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:

2020	\$ 33,400
2021	19,300
2022	18,000

Note 10 - Utilities Note Payable

During fiscal 2017, the Zoo was notified by their utility company of a faulty meter which resulted in an under billing of utilities of \$347,648 for the period from September 16, 2013 through January 18, 2016. The Zoo agreed to a payment plan to fund this liability of \$12,416 per month for 28 months ending December 2019. At June 30, 2019 and 2018, the balance due was \$49,664 and \$198,656, respectively.

Note 11 - Line of Credit

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% (5.9% at June 30, 2019). Borrowings under the line of credit are collateralized by substantially all assets of the Zoo and terminates at the discretion of the bank. There was no outstanding balance on the line of credit at June 30, 2019 and 2018.

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 \$152,081 and \$130,613 for the years ended June 30, 2019 and 2018, respectively.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Notes to Financial Statements

Note 13 - Government Support/Concentration of Revenue

Support received from the Commonwealth totaled \$7,600,000 and \$7,250,000 for the years ended June 30, 2019 and 2018, respectively. Funding in 2019 consisted of \$4,600,000 received for unrestricted operating purposes and \$3,000,000 of bond funding that was restricted for various uses as specified in a detailed budget provided by the Commonwealth. Funding in 2018 consisted of \$4,000,000 for unrestricted operating purposes and \$3,250,000 of bond funding that was restricted for various uses as specified in a detailed budget provided by the Commonwealth. As of June 30, 2019, \$178,691 of the government support was recorded as a state appropriations receivable.

Subsequent to year end, the Commonwealth approved appropriations and bond funding totaling \$7,600,000 for fiscal 2020.

Note 14 - Donated Materials and Services

The Zoo received donations of materials and services totaling \$679,716 and \$338,147 for the years ended June 30, 2019 and 2018, respectively, which are included as private gifts - unrestricted on the accompanying statements of revenue, expenses and changes in net position. The value of donated materials was \$378,735 and \$123,277 for the years ended June 30, 2019 and 2018, 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 \$300,981 and \$214,870 for years ended June 30, 2019 and 2018, respectively. These services are primarily for advertising, legal services and veterinary services and are reported as such in the accompanying statements of revenue, expenses and changes in net position. 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 - Cash Flow Information

As of June 30, 2019 and 2018, \$85,886 and \$135,757, respectively, of service concession agreement intangible assets were recorded as deferred inflows (see Note 6). At June 30, 2019 and 2018, approximately \$62,900 and \$333,500, respectively, of capital asset purchases were included in accounts payable.

Note 16 - 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



*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, 2019 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 24, 2019.

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 Heffman McCann P.C.

September 24, 2019
Boston, Massachusetts