

**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, 2015 and 2014



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) which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 auditors' 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, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-13 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 October 9, 2015 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.

Mayer Hoffman McCann P.C.

October 9, 2015
Boston, Massachusetts

Commonwealth Zoological Corporation D/B/A Zoo New England (“ZNE”)

Required Supplementary Information

(Management’s Discussion and Analysis)

Reporting Entity

The financial statements report information about **Commonwealth Zoological Corporation**, a not-for-profit corporation, as a whole using accounting methods similar to those used by private-sector companies. The Corporation was established in 1991 by an Act of the Massachusetts Legislature to provide all management support and other services required or contemplated by the legislation to the **Franklin Park Zoo (FPZ)** and the **Walter D. Stone Memorial Zoo (SZ)** and to act independently in zoological matters. The legislation also provided that the Commonwealth shall, at all times, retain title to all real property and only the care, custody and control of the Zoos shall be transferred to the Corporation. The Commonwealth, at its discretion, financially supports the Zoos.

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

Management's Discussion and Analysis

June 30, 2015 and 2014

This section of the annual financial report of **Commonwealth Zoological Corporation D/B/A Zoo New England** ("ZNE") presents our discussion and analysis of the financial and operational performance of the Zoos (**Franklin Park Zoo and Stone Zoo**) during the fiscal year ended June 30, 2015. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The financial statements, notes and this discussion are the responsibility of management.

Operational Highlights

FY 2015 – A challenging, yet productive year for our Zoos:

Fiscal Year 2015 was a year of exciting new opportunities for Zoo New England (ZNE), inspiring new conservation stewards, celebrating significant births, providing immersive experiences, supporting new conservation programs, successfully completing the Children's Zoo Capital Campaign 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 15, a total of 588,630 guests visited the Zoos and experienced all that we had to offer.

Education and conservation are the cornerstones of our mission, and ZNE was especially pleased that attendance by Massachusetts school children increased in FY 15. School group attendance increased by 15% compared to FY 14, from 57,469 to 66,077. The demand from schools for educational programming increased by 23% this year with ZNE serving more than 7,790 students, as compared to 6,309 in FY 14, through formal school programs. Our ZooTeen programs were filled to capacity during FY 15 serving 106 teens during the fiscal year. Teen programming included the summer ZooTeen jobs program, Teen Ambassadors, Jr. ZooTeens and our Youth Advisory Councils.

In the spring of FY 15, ZNE was proud to be named a partner for the Boston Summer Learning Project and began preparation for the summer session. Franklin Park Zoo hosted 31 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 was 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. Classroom time is not just for children. ZNE has a wide range of educational offerings for all ages. Our annual Science and Conservation Day conference was once again held in April, and this day-long event continues to attract scientists, animal professionals, college students and more for a day of learning and sharing.

Toward the end of FY 15, we were thrilled to announce that ZNE exceeded its fundraising goal for *Nature's Neighborhoods* – the new George Robert White Fund Children's Zoo. The Children's Zoo Campaign – ZNE's first capital campaign in recent history – raised over \$6.8 million, exceeding the goal of \$6.6 million. Additionally, for the first time in its history, Zoo New England received its first \$1 million donation from a single individual. 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. It is important to note this achievement occurred simultaneously with an increase in unrestricted fundraising to support zoo operations for FY 15.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2015 and 2014

Operational Highlights (Continued)

In the spring, ZNE hosted its most successful Zootopia to date. Zootopia – ZNE's fundraising gala, was attended by 380 guests and raised a record-breaking \$348,000. In addition to Zootopia, a host of other popular events were presented throughout the year. Franklin Park Zoo's ever popular Brew at the Zoo event increased ticket sales by 42% from 1,693 in FY 14 to 2,397 in FY 15. New events including Uncorked, a wine tasting event also held at Franklin Park Zoo, were also well received. A *Wild Affair*, an annual fundraising tasting event at Stone Zoo, celebrated its 10th year and welcomed many guests to the event held in June.

In FY 15, visitors to both Zoos were greeted with new experiences and opportunities. In the fall, more than 200 volunteers from Stone Zoo, Baystate Financial, MetLife, organizers from national non-profit KaBOOM!, and businesses from the Stoneham community worked tirelessly to build a new playground at Stone Zoo, which was inspired by drawings created by children from the Stoneham community. At Franklin Park Zoo, Camel Trek debuted in May. For a fee, guests have the opportunity to get a camel's eye view of the Zoo as they ride dromedary camels. Camel Trek, a seasonal opportunity, is yet another way to provide memorable, interactive experiences for visitors.

Through our cooperative captive breeding programs, many new animals were born or hatched throughout the year and many new animals, including 6-year-old lion brothers, were brought into the collection from other zoos to bolster our breeding and education programs. Notably, in mid-May Kiki, a western lowland gorilla, gave birth at Franklin Park Zoo. This is Kiki's fourth offspring and the birth was heralded with much excitement by visitors and the media. A number of other animals were sent out to other accredited zoos as part of organized breeding efforts. 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. A critical component of achieving ZNE's mission is based in having meaningful impact in the conservation of wildlife. ZNE, along with a coalition of partners, is working hard 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 to support Amur, Malayan and Sumatran tiger conservation projects, which includes anti-poaching efforts, combating wildlife crime, habitat protection, education and outreach;
- A program combining field research, education initiatives and community programs to make the conservation of natural resources economically feasible for local communities in Colombia, the native range of cotton-top tamarins;
- Whooping crane conservation in eastern North America through Operation Migration; and
- Locally, supporting the Neponset River Watershed Association, which partners with local towns and volunteers to stop water pollution, educate area residents, monitor river health, open the watershed to recreation, and restore fish and wildlife habitats.

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.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2015 and 2014

Operational Highlights (Continued)

- EBT Program: In recognition of the fact that Zoo visits are integral to childhood and learning, ZNE evaluated and revised its EBT Program (Massachusetts Electronic Benefit Card) in FY 15. Currently, 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. The changes in the EBT program have increased participation 312%, from 998 participants in FY 14 to 4,115 participants in FY 15. During the same time period, revenues increased by 393%, from \$2,240 to \$11,038.
- Community Pass Program: Non-profit organizations are eligible to receive a limited amount of free admission passes to help supplement their visit to the Zoos. ZNE distributed more than 2,196 passes to community groups during FY 15.
- Organizational Pass Program: Non-profit organizations may purchase an institutional pass enabling groups of individuals to attend the Zoos at a time at greatly reduced cost.

Despite our successes in a number of different areas in FY 15, it was a challenging year in some respects. As of June 30, 2015, Zoo New England total attendance was 588,630, a decrease of 56,370 from FY 14. There are several reasons for the decrease in attendance. In FY 14, ZNE hosted two Free Fun Friday events, sponsored by The Highland Street Foundation. These have been record-breaking events in the past, attracting up to 25,000 attendees per event. Due to scheduling issues, while ZNE is participating in Free Fun Friday in calendar year 2015, the event will take place in August rather than June, placing the attendance and corresponding financial gift from the foundation in FY 16.

The severe and prolonged poor weather experienced in FY 15 resulted in deficits in attendance and revenues. The long snowy, cold weather which stretched well into spring was responsible for almost half of the revenue shortage. In the month of March alone, ZNE experienced a shortfall in attendance in excess of 14,000 visitors and \$102,301 in lost revenues. As a primarily outdoor venue, weather plays a larger role in attendance than for most similar cultural venues such as the aquarium and museums. Our very successful membership campaign, which was \$98,000 over projected budget, may have also contributed to what would appear to be a loss of revenues at the gate. Memberships purchased at the gate or in line are credited to a separate budget line-item. However, membership does provide some revenue buffer from the bad weather.

Despite the approximate \$363,000 deficit in attendance revenues, through cost cutting measures, better than expected revenues in development, membership, marketing partnerships and events, ZNE was able to finish the year with a positive change in net operating assets when compared to budget.

Animal Exhibits

- As of June 30, 2015, 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 their sixth season and received rave reviews. Additionally, American alligators returned for their second season.
- At Franklin Park Zoo, Aussie Aviary, a free-flight, interactive exhibit home to hundreds of brightly colored budgies, and Butterfly Landing, filled with hundreds of free-flight butterflies, continued to delight visitors of all ages. The ever popular Giraffe Terrace also appeals to a wide variety of visitors who have the opportunity to experience the wonder of wildlife and have a memorable, up-close experience with the giraffes.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2015 and 2014

Operational Highlights (Continued)

- Significant acquisitions at Franklin Park Zoo included the addition of red river hogs, spotted hyenas, lions, bongo antelope, yellow-billed stork, and wattled crane. At Stone Zoo, significant acquisitions included rock hyrax, markhor, cotton-topped tamarins, “Blue” the rescued cougar cub, rhinoceros hornbill, and elegant-crested tinamou. Births and hatches at Franklin Park Zoo included ring-tailed lemur twins, a two-toed sloth, a western lowland gorilla, spotted turtle, scaly-sided merganser – a first for Zoo New England, green honeycreeper, and bufflehead duck. At Stone Zoo, births and hatches included 11 Caribbean flamingos, red-rumped agouti, and cotton-topped tamarin.
- Red river hogs made their exhibit debut within the bongo exhibit, creating a new mixed species exhibit, which has been well received by guests. Additionally, the warthog and African crested porcupine exhibits formally became one exhibit. A series of appropriately spaced bollards allows the porcupines to move freely between their space and the neighboring warthog exhibit.

Attendance

- In FY 15, Zoo New England experienced a decrease in daytime attendance with 537,660 visitors (compared to 615,755 in FY 14).
- Franklin Park Zoo's attendance reached 349,368, a decrease of 68,799 from 418,617 in FY 14. It should be noted that in FY 14 Franklin Park Zoo hosted two Free Fun Friday events, which draw high attendance, and did not host Free Fun Friday in FY 15.
- Stone Zoo's daytime attendance reached 188,292, a decrease of 9,296 from 197,588 in FY 14.
- Total FY 15 attendance for ZooLights (Stone Zoo's evening holiday light show, which operates primarily in the month of December) was 50,970, an increase of 14,070 over 36,900 in FY 14.
- Total overall attendance inclusive of ZooLights in FY 15 was 588,630, compared to 652,655 in FY 14.

Membership

- In FY 15, Membership revenues brought in over \$1,600,000, an increase of over \$240,000 compared to \$1,360,000 in FY 14. This is the fourth year that membership revenue has exceeded more than \$1 million, and the first year that revenue has ever exceeded \$1.5 million.

Education

- In FY 15, we conducted 312 school programs, which is 29% more than the 241 in FY 14. School program participants increased by 24% over FY 14, serving 7,797 in FY 15 compared to 6,309 in FY 14. The total number of programs in FY 15 was 1,251. In FY 15, the total number of people served increased by 2% to 210,004. These include programs involving schools, overnight groups, after-school, members, teacher workshops, adults, camp and school vacation, Franklin Park Zoo and Stone Zoo animal encounters, story times, and scheduled talks.

Rentals and Private Events

- In FY 15, 85 individuals and 33 corporations hosted events ranging from birthday parties to corporate functions. A total of 118 events were held between Franklin Park Zoo and Stone Zoo. Similar data for FY 14 were 93 individuals and 34 corporations. A total of 127 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 opportunity for new members and donors.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2015 and 2014

Operational Highlights (Continued)

Volunteers

- Volunteers, individual and groups, contributed vital assistance to Zoo New England. In FY 15, figures indicate that 16,921 hours of essential services were contributed by 1,469 people who volunteered their time.
- During the same period, 222 regular individual volunteers donated a total of 14,364 hours of service. Individual volunteers worked in all departments, contributing significantly to the operation of Franklin Park Zoo and Stone Zoo.
- In FY 15, 39 interns contributed 16,996 hours of vital assistance to Zoo New England while gaining tremendous education and preparation for work opportunities.
- Figures indicate that in total, 33,917 hours of essential services were contributed by 1,508 individual volunteers, interns, and group volunteers in FY 15.

Teen Programs

- The hallmark of our youth programs is our summer ZooTeen Program. Since its inception in 1999, the program has provided broader educational and career opportunities to more than 1,500 ZooTeens. The ZooTeen Program provides Boston youths with the opportunity to receive direct exposure to zoo and conservation-oriented careers in a safe, structured and professional learning environment. Personal academic and professional development classes and service projects are incorporated into the design of the program. The program attracts a diverse group of participants from the neighborhoods surrounding Franklin Park Zoo. This year, ZNE increased the academic portion of the program to include additional guest speakers on biodiversity and sustainability, conservation, land preservation and invasive species.
- We also have an active Junior ZooTeen program for younger kids beginning at age 11 and an in-depth, after school/weekend program called Teen Ambassadors.
- Through the Youth Advisory Councils at both Zoos, young people can be actively involved to help the Zoos attain even greater success.

Fundraising

- Zoo New England had some notable achievements in FY 15, and experienced a very successful year in fundraising. The Development office was able to over-achieve its goals in many of the key areas of individual giving, corporate sponsorships, and also successfully complete fundraising for the Children's Zoo Campaign over its expected goal.
- A major focus of the Development office, and a major achievement in FY 15, was dedicated to raising funds for the Children's Zoo Campaign. The Campaign over-achieved its goal of \$6.6 million with gifts totaling \$6.819 million, an increase of over \$200,000. Notably, 107 donors made gifts over \$1,000. Additionally, for the first time in its history, Zoo New England received its first \$1 million donation from a single individual.
- Unrestricted individual giving from donors increased 32%, from FY 14 to FY 15, raising over \$822,000 from \$620,000. Overall, unrestricted giving, not including the Zootopia revenue, increased 23% from FY 14 to FY 15 to revenues of \$1,084,367 compared to \$884,332 in FY 14.
- Corporate support has seen steady growth over the last few years. Corporate gifts including matching gifts, gifts and corporate sponsorships generated \$133,217 in FY 15 compared to \$109,383 in FY 14, an increase of 21.7%.
- Zootopia, Zoo New England's signature fundraising event, experienced another record breaking year, raising more than \$348,000 gross in FY 15, compared to \$343,000 gross in FY 14, primarily through corporate and individual sponsorships and ticket sales.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2015 and 2014

Operational Highlights (Continued)

- Operating restricted funds raised in FY 15, increased 2.3% to \$191,912 from \$187,536 in FY 14.
- Zoo New England also hosted a Marathon team, which raised unprecedented funds in FY 15. In FY 14, funds raised for the Marathon totaled \$22,674. In FY 15, we posted a 98% increase, raising \$44,950.
- Zoo New England received significant grant awards totaling \$900,000 supporting the Children's Zoo Campaign from supporters who had not previously made a capital gift to Zoo New England. These included: the Lovett-Woodsum Foundation, Barr Foundation, Highland Street Foundation and the Yawkey Foundation.
- Overall, however, in FY 15, unrestricted foundation support, which totaled \$128,951, decreased by 17%, or \$25,997, compared to \$154,948 raised in FY 14. Zoo New England also lost its Corporate and Foundation Relations Manager at the beginning of the last quarter of FY 15, which may have had an impact on unrestricted foundation support. Additionally, funding organizations are increasingly interested in funding specific, and quantifiable, programmatic initiatives, and less focused on general operating support. Comparatively, we saw growth in restricted foundation support in FY 15. From FY 13 to FY 14, restricted foundation revenue saw a decline of 16% from \$137,569 to \$115,500. However, after the efforts of the Corporate and Foundation Relations Manager, restricted foundation revenue, focused on programming, experienced growth of 20%, or \$23,100 to \$138,600 in FY 15.

Marketing

- In FY 15, Zoo New England received \$377,827 in in-kind promotional advertising support from Clear Channel Outdoor, MAGIC 106.7, Greater Boston Convention and Visitors Bureau, HOT 96.9 and WCVB-TV 5. This was an increase of 18% in in-kind promotional support compared to \$318,947 in FY 14.
- 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: the April announcement of Kiki the gorilla's pregnancy followed by the May birth, and the debut of 6-year-old lion brothers at the end of May, which attracted a lot of interest, including a cover feature in The Boston Globe. Throughout FY 15, other notable press coverage included Stone Zoo spring births and hatches of a markhor kid and Caribbean flamingo chicks, extensive coverage for events including Brew at the Zoo, Zootopia and *A Wild Affair*, and press coverage for the Zoo New England Marathon team.
- Throughout FY 15, ZNE generated a reach of an estimated 541,225,713 in total circulation, listenership and viewership, which is a 17% increase over 462,271,798 in FY 14. In FY 15, the estimated combined editorial value was \$1,949,223.90, which is a 129% increase over \$849,940.29 in FY14. (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 15, our "likes" and followers on Facebook and Twitter increased by 91%. Additionally, our Instagram account, launched in February 2014, continues to steadily grow. At the start of FY 15, we had 425 followers and at the end we had 1,972.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2015 and 2014

Using the Annual Auditors' Report

The accompanying audited financial statements consist of Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows. Included in the last section of the auditors' report are major disclosures or notes which relate to revenues, expenses, assets and liabilities and net position. The notes to the financial statements provide adequate coverage of organizational, financial and managerial details and as such this MD&A will not regurgitate those clearly presented data and information.

For ease of reference, the following list of topics and subtopics is covered in the *Notes to Financial Statements* section of the independent auditors' report.

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

Basis of Presentation

Use of Accounting Estimates

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Fund Accounting

Operating Revenues and Expenses

Cash and Cash Equivalents

Fair Value Measurements

Investments

Grants, Gifts and Pledges

Inventories and Prepaid Items

Capital Assets and Collections

Intangible - Service Concession Agreement

Advances from Grantors

Fringe Benefits

Compensated Absences

Income Tax Status

Uncertain Tax Positions

Reclassifications

Subsequent Events

Note 2 - Cash and Cash Equivalents

Note 3 - Investments

Note 4 - Grants Receivable

Note 5 - Pledges Receivable

Note 6 - Capital Assets

Note 7 - Construction Commitments

Note 8 - Intangibles - Service Concession Agreement

Note 9 - Concession Agreement

Note 10 - Operating Leases

Note 11 - Line of Credit

Note 12 - Retirement Plan

Note 13 - Government Support

Note 14 - Donated Materials and Services

Note 15 - Related Party Transactions

Note 16 - Risk Management and Contingent Liabilities

Note 17 - Operations

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

Management's Discussion and Analysis

June 30, 2015 and 2014

Financial Highlights

Refer to Statement of Net Position on page 14 of Auditors' Report

- Current fiscal year assets increased by \$3.1M or 99% from FY 2014 to FY 2015. The increase in current assets relates to the Zoo's pursuit of additional funds for capital expenditures and projects.
- Capital assets decreased by \$87K or 1% compared with FY 2014. This is mainly due to this year's depreciation expense which off-set the capitalization of fixed assets. Depreciation expense totaled \$787K, and additions only amounted to \$701K in FY 15.
- Total current liabilities were up by \$15.6K compared with FY 2014. In FY 2015, a performance incentive was approved for staff in lieu of the FY 15 annual wage increase which was accrued in FY 15 but paid in FY 16.
- ZNE reflected a 21% or \$3.0M increase in total net assets for FY 2015. The unrestricted net assets increased by \$924K. The restricted net assets for capital improvements such as the Children's Zoo project and the operating programs such as education were increased by \$2.1M or 200% and \$71K or 40%, respectively, over their FY 2014 closing net asset balances.

Refer to Statement of Revenue, Expenses and Changes in Net Position on page 15 of Auditors' Report

- Total guests operating revenue in FY 2015 increased as compared to FY 2014 by \$396K. This is a 8% increase in earned revenue relating to admissions, membership fees and concessions. From FY 2014 to FY 2015, admission revenues increased by \$170K or 5% and membership fees increased by \$227K or 17%. Increases can be attributed to higher pay rates and a more successful Zoo Light event held which is held at the Stoneham Zoo in December annually.
- In FY 2015, total other operating revenue increased by \$210K or 25% over the prior year. The increase is due to the continued success of Zootopia which had increased contributions of \$54K, increased foundation contributions which were \$60K higher, an increase of corporate sponsorships of \$66K, and additional special event revenues of \$34K.
- Net total operating expenses were \$130K or 1.0% higher than FY 2014. In FY 2015, management increased spending in hopes of raising additional revenue during FY 2015. Thus, spending on animal services increased \$31K or 1%, spending on educational services increased \$41K or 6%, and facilities and grounds spending increased by \$159K or 4%. On the other hand, fundraising expenses decreased by \$84K or 13%, general and admin expenses decreased by \$21K or 1%, and guest services decreased by \$17K or 1%.
- Total State appropriations increased by \$818K or 15% due to an increase in state appropriations and bond funding.
- Private gifts raised in FY 2015 increased by \$202K or 23%. The Zoo received more contributions from individuals in FY 2015 as opposed to FY 2014.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Management's Discussion and Analysis

June 30, 2015 and 2014

Financial Highlights (Continued)

- A positive change in net assets of \$3.0M is being reported for FY 2015 compared to a negative change in net assets of \$343K in FY 2014. This is indicating a \$3.4M positive swing in total net assets from one year to the next.

Refer to Statement of Cash Flows on page 16 of Auditors' Report

- Net cash used in operating activities is \$691K or 10% less than FY 2014. This was caused by the higher total cash inflows from guest admissions and memberships, the Zootopia event, foundations, corporate sponsorships, special events, on-site programs, and donations in FY 2015.
- Net cash provided by non-capital financing activities exceeds FY 2014 by \$257K or 4%. The increase stems from the additional collections on other than capital purpose gifts and grants in FY 2015.
- Net cash provided by financing activities shows an increase of \$2.4M over the prior year. The significant capital contributions are made in respect of the Children's Zoo project.
- In FY 2015, Zoo New England spent \$701K compared with \$1.3M in FY 2014 on investing activities such as structural improvements, animal exhibits, and vehicle purchases.
- At the end of FY 2015, the overall operating cash held is \$2.6M which represents a net increase of \$1.2M from FY 2014.

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 2015, school group visitation totaled 66,077 students who attended Franklin Park Zoo and Stone Zoo at no cost. Students use this golden opportunity to learn more about science, wildlife and conservation. All programs are aligned with the Massachusetts Science Curriculum Frameworks.

The administrative responsibility for the Zoos' state appropriations is with the Massachusetts Office of Travel and Tourism in the Department of Business and Technology. For FY 2015, the Zoos received total support of \$6.418 million of which \$50,000, or 1% was not received as of June 30, 2015, 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.

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

Management's Discussion and Analysis

June 30, 2015 and 2014

Admission & Membership Rates

The rates in effect as of June 30, 2015 are as follows:

Admission Fees Franklin Park Zoo	Stone Zoo
Adult \$19.95	\$15.95
Child (2-12) \$12.95	\$11.95
Senior (62+) \$16.95	\$15.95

Membership Fees (for both Zoos)

Individual \$80.00	Family + \$140.00
Dual \$95.00	Friend \$160.00
Family \$110.00	

Capital Funds – June 30, 2015

- At FPZ, a capital fund balance of \$3,189,638 is held for the Children's Zoo and the Entryway projects. This amount includes \$259K in outstanding pledges.

Factors Impacting Future Periods

Zoo New England continues to make progress in this exciting phase in its history. The staff and Board of Directors are committed to transforming the Zoos to rank among the best in the nation. With the completion of the Children's Zoo campaign, ZNE is poised to move into the next phase of its development. The existing Children's Zoo is scheduled to close to the public on September 8, and work in preparation of demolition slated for the fall of 2015 has begun. A ground breaking ceremony will be held on September 24, 2015. The Development department has embarked on raising funds for programmatic components of this exciting new component of the Franklin Park Zoo. Successfully completing this project, slated to open in 2017, will not only attract more visitors, members and earned revenues, but will attract more sponsorship and major philanthropy.

Members of the Zoos' Executive team and a subcommittee of the Board are reviewing, identifying and developing a short to mid-term strategic plan for the next capital projects. In reviewing the existing strategic master plan and projects contained therein, the goal is to select the next capital investments that will help us deliver on our mission, attract visitors, and inspire continued investment by corporations, sponsors and individual donors.

While this is happening, ZNE has received encouragement from the current state Administration to apply for a \$3 million grant from MassWorks for deferred maintenance and the construction of a new education building at Stone Zoo. This grant is part of continuing constructive conversations that ZNE is having with the new Administration regarding both operating funding and allocation of additional capital funds approved by the Legislature for asset management, maintenance and new construction for the Zoos. The goal of these talks is to develop a longer-term partnership/relationship with the Administration for the next several years.

A number of legislators have formed a "Zoo Caucus" to assist ZNE with advocating with the Administration and other legislators at the State House. This group's advocacy has already led to an increase in the Zoos' line item in the Commonwealth's FY 16 operating budget. ZNE's funding in the operating budget has increased from \$3.418 million for FY 15 to \$4.9 million for FY 16. ZNE is still in discussion with the Administration to increase operating funding to the \$6.4 million level for FY 16. An increase in funding would enable ZNE to enhance offerings and invest in revenue generating programs.

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

Management's Discussion and Analysis

June 30, 2015 and 2014

Factors Impacting Future Periods (Continued)

In September, ZNE will appear before the AZA Accreditation Commission which will decide if Stone Zoo will receive re-accreditation. Stone Zoo was inspected in the summer of 2014, at which time the committee recommended that Stone Zoo's accreditation be "tabled" for one year to give ZNE time to work on some deferred maintenance and address funding issues. A re-inspection was conducted in July with much improvement noted by the inspectors.

When looking at trends analyses indicators over the past 5 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 towards 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.

Financial Statements

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

Statements of Net Position

	<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>
Assets		
Current:		
Cash and cash equivalents	\$ 2,542,697	\$ 1,407,366
Cash and cash equivalents for investment in plant and equipment and other items	3,189,543	978,644
Investments	62,879	-
Accounts receivable	54,958	99,395
Grants receivable	94,068	127,088
State appropriations receivable	50,000	35,000
Pledges receivable	194,183	266,043
Prepaid expenses and other assets	44,551	191,297
Inventories	59,375	56,367
Noncurrent:		
Capital assets - net of accumulated depreciation	11,690,861	12,028,732
Intangible - service concession agreement	745,908	494,951
Total assets	<u>18,729,023</u>	<u>15,684,883</u>
Liabilities		
Current:		
Accounts payable	608,989	612,355
Accrued compensation	220,962	159,970
Accrued liability for compensated absences	260,827	270,941
Accrued expenses	119,063	124,340
Advances from grantors	99,331	125,931
Noncurrent:		
Accrued liability for compensated absences	111,175	119,981
Total liabilities	<u>1,420,347</u>	<u>1,413,518</u>
Net position		
Invested in capital assets and intangibles, net of related debt	12,436,769	12,523,683
Restricted for:		
Restricted capital projects and intangible improvements as specified	3,183,725	1,060,975
Restricted education and other programs	247,921	176,994
Unrestricted fund balance	1,440,261	509,713
Total net position	<u>\$ 17,308,676</u>	<u>\$ 14,271,365</u>

**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>2015</i>	<i>2014</i>
Operating revenues:		
Guest operating revenue:		
Admissions	\$ 3,453,045	\$ 3,282,489
Concessions revenue	242,118	243,040
Membership fees	1,594,085	1,367,494
Total guest operating revenue	<u>5,289,248</u>	<u>4,893,023</u>
Other operating revenue:		
Grants and gifts	1,279,995	1,005,319
Other revenue	477,944	398,278
Total other operating revenue	<u>1,757,939</u>	<u>1,403,597</u>
Total operating revenues	<u>7,047,187</u>	<u>6,296,620</u>
Operating expenses:		
Guest services	2,552,254	2,569,599
Animal care	3,922,497	3,891,522
Educational	736,286	695,271
General and administrative	1,528,234	1,549,748
Facilities and grounds	3,899,075	3,596,053
Fundraising	579,135	663,622
Depreciation and amortization	787,975	765,861
Total operating expenses	<u>14,005,456</u>	<u>13,731,676</u>
Operating loss	<u>(6,958,269)</u>	<u>(7,435,056)</u>
Non-operating revenues:		
State appropriations	6,418,519	5,600,000
Private gifts - unrestricted	1,097,856	895,238
Investment income	8,060	4,223
	<u>7,524,435</u>	<u>6,499,461</u>
Income (loss) before other revenues and after depreciation and amortization expense	566,166	(935,595)
Other revenues:		
Private gifts - restricted to capital uses	2,471,145	592,659
Change in net position	3,037,311	(342,936)
Net position, beginning of year	14,271,365	14,614,301
Net position, end of year	<u>\$ 17,308,676</u>	<u>\$ 14,271,365</u>

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

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
Cash flows from operating activities:		
Operating revenues from guests	\$ 5,289,248	\$ 4,893,023
Other operating revenue	1,775,776	1,299,338
Payments to employees	(6,155,656)	(6,279,117)
Payments for benefits	(1,575,355)	(1,616,106)
Payments for utilities	(1,472,647)	(1,304,643)
Payments to suppliers	(3,836,656)	(3,704,565)
Net cash used in operating activities	<u>(5,975,290)</u>	<u>(6,712,070)</u>
Cash flows from non-capital financing activities:		
State appropriations	6,403,519	6,620,000
Purchases of intangible - service concession agreement	(250,957)	(211,369)
Gifts and grants for other than capital purposes	1,202,736	774,209
Net cash provided by non-capital financing activities	<u>7,355,298</u>	<u>7,182,840</u>
Cash flows from financing activities:		
Purchases of capital assets	(450,104)	(1,025,672)
Private gifts restricted to capital	2,471,145	592,659
Net cash provided by (used in) investing activities	<u>2,021,041</u>	<u>(433,013)</u>
Cash flows from investing activities:		
Investment income	8,060	4,223
Purchases of investments	(62,879)	-
Change in cash held for investment in plant and equipment	(2,210,899)	(126,336)
Net cash used in investing activities	<u>(2,265,718)</u>	<u>(122,113)</u>
Net decrease in cash and cash equivalents	1,135,331	(84,356)
Cash and cash equivalents, beginning	1,407,366	1,491,722
Cash and cash equivalents, ending	<u>\$ 2,542,697</u>	<u>\$ 1,407,366</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (6,958,269)</u>	<u>\$ (7,435,056)</u>
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	787,975	765,861
Receivables - net	44,437	(20,759)
Inventories	(3,008)	9,133
Prepaid expenses and other assets	146,746	(29,986)
Accounts payable	(3,366)	47,405
Accrued compensation	60,992	7,015
Accrued liability for compensated absences	(18,920)	23,130
Accrued expenses	(5,277)	4,687
Advances from grantors	(26,600)	(83,500)
Total adjustments	<u>982,979</u>	<u>722,986</u>
Net cash used in operating activities	<u>\$ (5,975,290)</u>	<u>\$ (6,712,070)</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 a component unit of the Commonwealth of Massachusetts. As such, the Zoo 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 financial statements presented here are also included in the annual financial report of the Commonwealth of Massachusetts.

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 Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board.

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.

**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)

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

These financial statements are reported using the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements, including time requirements, imposed by the provider have been met.

When both unrestricted resources and restricted resources received from private donors are available for use, the restricted resources are used first, then unrestricted resources as they are needed. In the case of funds received from the state for capital uses, it is the Zoo's policy to use either unrestricted or state sources on an individual project basis.

Fund Accounting

To ensure observance of limitation and restrictions placed on the use of resources available to the Zoo, the accounts of the Zoo are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. The assets, liabilities and fund balances of the Zoo are reported in the Zoo enterprise fund group.

Operating Revenues and Expenses

Amounts reported as operating revenues include admissions and membership fees, commissions from concessions revenue, grants and gifts relative to operating expenses and other sources of revenue.

Operating expenses for the Zoo include the cost of guest services, animal care, educational programs, general and administrative, facilities and grounds, fundraising and depreciation.

The recognition of revenues and expenses are applied on a consistent basis.

**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)

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.

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.

Fair Value Measurements

The Zoo reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item in accordance with the fair value standards. Recurring fair value measures include the Zoo's investment accounts. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

In addition, the Zoo reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the Zoo to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock-up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed mutual funds and equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share which can be redeemed within 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share which can be redeemed within 90 days.

**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)

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Zoo's financial instruments, see Note 3 - Investments.

Investments

Investments in marketable securities are stated at fair value. Dividends, interest, and net realized and unrealized gains or losses on investments are reported in the statement of revenues, expenses and changes in net position. Gains and losses on the disposition of investments are determined based on specific identification of securities sold. Investment income is recognized when earned.

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, which include property, plant, equipment and other assets, are reported in the statement of net position at cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets acquired by purchase, construction or donation are reported as increases to “net position invested in capital assets, net of related debt.” Contributions of cash that must be used to acquire capital assets are reported as increases to “net position restricted for capital projects” until such time as the capital assets are purchased. Intangible assets obtained through the execution of service concession agreements are reported in the statement of net position at the cost of purchase or construction.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred.

Plant and equipment, with the exception of land, are depreciated using the straight-line method over estimated useful lives 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 \$151,300 and \$169,300, which is included in animal care and guest services under special events expense at June 30, 2015 and 2014, 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, 2015 and 2014.

Intangible - Service Concession Agreement

Intangible - service concession agreement represents capital assets constructed on leased land under a service concession agreement are reported in the statement of net position at cost. 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.

**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)

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 13)

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 statement 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 2014 financial statements in order to conform to the current year presentation.

Subsequent Events

The Zoo has evaluated subsequent events through October 9, 2015, 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>2015</i>	<i>2014</i>
Bank balance of cash and cash equivalents	\$ 5,846,507	\$ 2,609,620
Reconciling items (deposits in transit, outstanding checks, etc.), net	<u>(114,267)</u>	<u>(223,610)</u>
Total cash and cash equivalents	<u>\$ 5,732,240</u>	<u>\$ 2,386,010</u>
Bank deposits insured by the Federal Deposit Insurance Corporation	\$ 520,245	\$ 520,840
Bank deposits uninsured and uncollateralized	<u>5,326,262</u>	<u>2,088,780</u>
Total bank deposits	<u>\$ 5,846,507</u>	<u>\$ 2,609,620</u>
Cash and cash equivalents as displayed on the statements of net position:		
Cash and cash equivalents	\$ 2,542,697	\$ 1,407,366
Cash and cash equivalents for investment in plant and equipment and other items	<u>3,189,543</u>	<u>978,644</u>
Total	<u>\$ 5,732,240</u>	<u>\$ 2,386,010</u>

Note 3 - Investments

Investments are stated at fair value and are considered Level I financial instruments and consist of the following at June 30:

	<i>2015</i>	<i>2014</i>
Equity mutual funds	\$ <u>62,879</u>	\$ <u>-</u>
Total investments	<u>\$ 62,879</u>	<u>\$ -</u>

There was no interest income or net unrealized gains or losses for the year ended June 30, 2015.

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 - Grants Receivable

Grants receivable are as follows at June 30:

	<i>2015</i>	<i>2014</i>
Grants expected to be collected in:		
Less than one year	\$ 94,505	\$ 109,067
One year to three years	-	20,000
	94,505	129,067
Less present value discount	(437)	(1,979)
Grants receivable, net	\$ 94,068	\$ 127,088

Overall, a five year Treasury rate was used to calculate the present value discount. As of June 30, 2015 and 2014, this rate was 1.63% and 1.62%, respectively, and was inflated by 0.37% and 0.38%, respectively, where appropriate to reflect a risk adjustment for late payments.

Note 5 - Pledges Receivable

Pledges receivable are as follows at June 30:

	<i>2015</i>	<i>2014</i>
Unconditional promises expected to be collected in:		
Less than one year	\$ 110,513	\$ 228,081
One year to three years	91,700	45,000
	202,213	273,081
Less present value discount	(8,030)	(7,038)
Pledges receivable, net	\$ 194,183	\$ 266,043

Overall, a five year Treasury rate was used to calculate the present value discount. As of June 30, 2015 and 2014, this rate was 1.63% and 1.62%, respectively, and was inflated by 0.37% and 0.38%, respectively, where appropriate to reflect a risk adjustment for late payments.

**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, 2015 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:				
Construction in progress	\$ <u> -</u>	\$ <u> 104,569</u>	\$ <u> -</u>	\$ <u> 104,569</u>
Capital assets, being depreciated:				
Buildings, including improvements	21,307,633	222,976	-	21,530,609
Furnishings and equipment	<u> 3,427,725</u>	<u> 122,557</u>	<u> -</u>	<u> 3,550,282</u>
Total capital assets being depreciated	<u> 24,735,358</u>	<u> 345,533</u>	<u> -</u>	<u> 25,080,891</u>
Total at historical cost	<u> 24,735,358</u>	<u> 450,102</u>	<u> -</u>	<u> 25,185,460</u>
Less: accumulated depreciation/amortization for:				
Buildings, including improvements	9,433,190	719,689	-	10,152,879
Furnishings and equipment	<u> 3,273,437</u>	<u> 68,285</u>	<u> -</u>	<u> 3,341,722</u>
Total accumulated depreciation	<u> 12,706,627</u>	<u> 787,974</u>	<u> -</u>	<u> 13,494,601</u>
Net capital assets	<u> \$ 12,028,731</u>	<u> \$ (337,872)</u>	<u> \$ -</u>	<u> \$ 11,690,859</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, 2014 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:				
Construction in progress	\$ 71,845	\$ -	\$ (71,845)	\$ -
Capital assets, being depreciated:				
Buildings, including improvements	20,322,949	984,684	-	21,307,633
Furnishings and equipment	<u>3,314,893</u>	<u>112,832</u>	<u>-</u>	<u>3,427,725</u>
Total capital assets being depreciated	<u>23,637,842</u>	<u>1,097,516</u>	<u>-</u>	<u>24,735,358</u>
Total at historical cost	<u>23,709,687</u>	<u>1,097,516</u>	<u>(71,845)</u>	<u>24,735,358</u>
Less: accumulated depreciation for:				
Buildings, including improvements	8,752,745	680,444	-	9,433,189
Furnishings and equipment	<u>3,188,020</u>	<u>85,417</u>	<u>-</u>	<u>3,273,437</u>
Total accumulated depreciation	<u>11,940,765</u>	<u>765,861</u>	<u>-</u>	<u>12,706,626</u>
Net capital assets	<u>\$ 11,768,922</u>	<u>\$ 331,655</u>	<u>\$ (71,845)</u>	<u>\$ 12,028,732</u>

Note 7 - Construction Commitments

The construction projects in progress that are included in Construction in Process (CIP) above are for the Zoo's Antelope House and Giraffe exhibit. The Zoo did not have any outstanding commitments for either of these projects at June 30, 2015.

Note 8 - Intangibles - Service Concession Agreement

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 - Intangibles - Service Concession Agreement (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 intangible – use of long-lived assets.

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 current year value of the “gift-in-kind” to be \$144,120 for the year ended June 30, 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 \$3M, \$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 Zoo and GRWF have started with the planning and design phase of the project and anticipate moving forward with construction during the upcoming fiscal year. The assets related to this upgrade and expansion 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, 2015, the Zoo entered into an agreement with a design firm for the Children’s Zoo for services not to exceed approximately \$360,000, of which \$330,000 was paid to date.

Intangible - service concession agreement activity for the years ended June 30, 2015 and 2014 was as follows:

June 30, 2015:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Intangible assets, not being amortized:				
Construction in progress	\$ 494,951	\$ 250,957	\$ -	\$ 745,908
Net intangible	\$ 494,951	\$ 250,957	\$ -	\$ 745,908

June 30, 2014:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Intangible assets, not being amortized:				
Construction in progress	\$ 283,582	\$ 211,369	\$ -	\$ 494,951
Net intangible	\$ 283,582	\$ 211,369	\$ -	\$ 494,951

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

Notes to Financial Statements

Note 9 - Concession Agreement

The Zoo has a five-year concession agreement with a concessionaire who has been engaged to sell food, beverages and retail merchandise to patrons of the facility through March 17, 2016. The agreement calls for a commission to be paid to the Zoo on a monthly basis based on previous month's gross receipts according to a formula outlined in the agreement which ranges from 7-20% of sales.

Note 10 - Operating Leases

The Zoo leases two copiers under operating leases that expire at various times through February 2017. The approximate minimum annual payments under these leases are as follows:

2016	\$	8,800
2017		1,900

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% (3.69% at June 30, 2015). 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, 2015 and 2014.

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 \$100,285 and \$96,516 for the years ended June 30, 2015 and 2014, respectively.

Note 13 - Government Support

The Zoo received funds from the Commonwealth for unrestricted operating purposes in the total amount of \$6,418,519 for the year ended June 30, 2015 and \$5,600,000 for the year ended June 30, 2014.

Note 14 - Donated Materials and Services

The Zoo received donations of materials and services totaling \$637,306 and \$542,361 for the years ended June 30, 2015 and 2014, respectively. The value of donated materials was \$246,823 and \$191,792 for the years ended June 30, 2015 and 2014, respectively, and consisted primarily of supplies for animal care and other purposes.

**COMMONWEALTH ZOOLOGICAL CORPORATION
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Notes to Financial Statements

Note 14 - Donated Materials and Services (Continued)

The value of donated services provided by qualified professionals and recognized as unrestricted contribution revenue and a corresponding expense totaled \$390,483 and \$350,569 for years ended June 30, 2015 and 2014, 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

The law firm of McDermott Will & Emery LLP, where a certain member of the Board of Directors is a partner, has donated legal services which were valued and included in both gift income and general and administrative expenses in the amount of \$12,656 and \$37,372 for the years ended June 30, 2015 and 2014, respectively.

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.

Note 17 - Operations

As of the issuance date of this report, the Commonwealth of Massachusetts (Commonwealth) has approved \$4,900,000 of general appropriation funding for the fiscal year ending June 30, 2016 to the Zoo. As of the date of the audit report, the Zoo is still awaiting receipt of the official contract. Furthermore, as of the date of the audit report, the Zoo had yet to be informed of any additional funding it can expect for the upcoming fiscal year from the State's bond issuance. Additionally, the Zoo has been invited to apply for a \$3,000,000 Mass Works FY16 grant and is in negotiations for an additional \$3,000,000 from the Commonwealth for operating and capital expenditures for the fiscal year ending June 30, 2016. No agreements have been executed relative to either agreement as of the date of the audit report.

In 2008, the Commonwealth of Massachusetts authorized \$30,000,000 through a general obligation bond (7007-6300) funding to partially fund the implementation of the strategic master plan projects. In August of 2014, the Commonwealth authorized an additional \$8,000,000 (Environmental Bond Line Item 2840-7024) in an Environmental Bond. As of June 30, 2015, there remains \$24,400,000 of bond funds authorized for the Zoo that have not been expended.

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, 2015 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 October 9, 2015.

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.

October 9, 2015
Boston, Massachusetts