

**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, 2017 and 2016**



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

*Financial Statements*  
*and Required Supplementary Information*

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## *Independent Auditors' Report*

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Commonwealth Zoological Corporation d/b/a Zoo New England (the "Zoo" or "ZNE") (a Massachusetts nonprofit corporation and a component unit of the Commonwealth of Massachusetts) as of and for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 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 27, 2017 on our consideration of the Zoo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Zoo's internal control over financial reporting and compliance.

*Maye Hoffman McCann P.C.*

September 27, 2017  
Boston, Massachusetts

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

*Management's Discussion and Analysis*

*June 30, 2017 and 2016*

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, 2017 with the selected comparative information for the years ended June 30, 2016 and 2015. 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 2017 – A year of continued progress and new opportunities for our Zoos:**

Fiscal Year 2017 was a year of exciting new opportunities for Zoo New England (ZNE), inspiring new conservation stewards, celebrating significant births, providing immersive educational experiences, supporting new conservation programs, and 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 17, a total of 586,080 guests visited the Zoos and gained a greater understanding of the incredible animals with which we share the planet.

Education and conservation are the cornerstones of our mission, and in FY 17 ZNE welcomed 64,789 Massachusetts school children who visited as part of school field trips. ZNE’s Education department offers a wide range of formal and informal programming including Playful Paws toddler playgroups, ZooCamp, Breakfast with the Animals programs, teen programs, behind-the-scenes tours, and programming for school-aged children both on and off-site. ZNE was once again pleased to be named a partner for the Boston Summer Learning Project and in the spring began preparation for the summer session. Franklin Park Zoo hosted 40 students for five weeks, helping students to acquire the knowledge, skills and experiences needed to succeed. Additionally, the Zoos

**COMMONWEALTH ZOOLOGICAL CORPORATION  
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***Management's Discussion and Analysis***

***June 30, 2017 and 2016***

***Operational Highlights (Continued)***

**FY 2017 – A year of continued progress and new opportunities for our Zoos (Continued):**

provide valuable hands-on learning opportunities through its well-established internship program, with internships available in several Zoo departments. Through a unique collaboration with Harvard Medical School, senior medical students have the opportunity to complete an elective rotation with ZNE's Department of Animal Health and Conservation Medicine. The One Health Clinical Elective is believed to be the only formal collaboration of its kind in the country.

In September 2016, *Nature's Neighborhoods* – the new George Robert White Fund Children's Zoo at Franklin Park Zoo opened. This project features state-of-the-art exhibits, providing the foundation for science education, exploratory learning and connection to the natural world. Since opening, this immersive space, featuring a red panda exhibit, prairie dog exhibit, turtle ponds, a walk-through wetlands aviary and interactive opportunities for children, has been incredibly well-received and will provide a space for learning and discovery for years to come. In FY 17 at Stone Zoo, construction began on the new Animal Discovery Center (ADC) and on the new entry plaza, featuring a new entrance and ticketing building, restrooms and gift shop. At the new ADC, science learning is brought to life and visitors have the opportunity to learn about the big role that smaller animals such as bees, frogs and salamanders play in healthy ecosystems. Both opened to the public in early FY 18.

Overall, total attendance in FY 17 was 586,080 compared to 617,211 in FY 16. The exceedingly hot summer in FY 17 had a detrimental effect on attendance, as well as the poor weather we experienced during ZooLights, Stone Zoo's annual holiday lights show held primarily in December. More than half of the days in July and August 2016 were over 86 degrees with 22 of the days reaching 90 - 98 degrees. In addition to the extreme heat, Stone Zoo was also undergoing construction which impacted the visitor experience. The Special Events and Marketing teams are focused on continuing to develop more events, promotions and opportunities to attract continued visitation and interest year-round.

In the spring, ZNE hosted its most successful Zootopia to date. Zootopia – ZNE's fundraising gala, was attended by 398 guests and raised a record-breaking \$455,490. In addition to Zootopia, a host of other popular annual events were presented throughout the year including Brew at the Zoo and Uncorked at Franklin Park Zoo, and A Wild Affair and Ales and Tails at Stone Zoo. All of these events are 21+ and are designed to introduce new audiences to the Zoos. Following the longstanding success of these events, other 21+ events have been added including Fun in the Tropics and Sunset Sips.

In FY 16, visitors to both Zoos were greeted with popular seasonal opportunities allowing them to more deeply connect, in a safe and memorable way, to the natural world. Popular seasonal opportunities at Franklin Park Zoo include Aussie Aviary, a walk-through aviary where guests can walk amongst and feed colorful budgies, and Butterfly Landing, a tranquil space filled with hundreds of fluttering butterflies. At Stone Zoo, guests once again watched in awe during the free-flight, educational bird show, *Masters of Flight: Birds of Prey*, and also had the opportunity to learn more about American alligators during regular encounters with Education staff at the seasonal American alligator exhibit.

**COMMONWEALTH ZOOLOGICAL CORPORATION  
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*Management's Discussion and Analysis*

*June 30, 2017 and 2016*

***Operational Highlights (Continued)***

**FY 2017 – A year of continued progress and new opportunities for our Zoos (Continued):**

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 and hatches included a Masai giraffe, an Eastern bongo, a Linne's two-toed sloth, rock hyraxes and Siberian cranes. A number of other animals were sent out to other accredited zoos as part of organized breeding efforts designed to preserve genetic diversity. A critical component of achieving ZNE's mission is based in having meaningful impact in the conservation of wildlife, both locally and abroad. Each and every day, zoos are working to save species from extinction while also serving as centers of education, conservation, and important research that is assisting scientists in the field. Locally, ZNE has been a longstanding partner with Grassroots Wildlife Conservation (GWC) and has actively participated in the successful Blanding's turtle head-start program for many years. More recently, ZNE has worked with GWC on a project aimed at reintroducing marbled salamanders back into the Middlesex Fells Reservation. ZNE, along with a coalition of partners, continues its commitment to get legislation passed in Massachusetts banning the sale of ivory and rhinoceros horn, which will aid in the conservation of these species. ZNE also provided support in a variety of ways for a number of other regional, national and international wildlife conservation projects including:

- ZNE joined a host of other institutions accredited by the Association of Zoos and Aquariums (AZA) who have committed to supporting conservation efforts on behalf of the vaquita, a small porpoise and the world's rarest marine mammal that is on the verge of extinction. This critical collaborative effort illustrates the deep commitment to conservation by AZA accredited institutions, who everyday are working to save species from extinction;
- A project working to save wild red pandas in Nepal, Burma, India and China, and preserve their habitat by empowering local communities through community-based research, education and carbon mitigation;
- A program aimed at preserving the genetic integrity and future of jaguars by connecting and protecting core jaguar populations from Mexico to Argentina. Through the Panthera Jaguar Corridor project, scientists are working to mitigate human-jaguar conflict surrounding livestock predation by training ranchers in anti-predator husbandry techniques, including building predator-proof enclosures; and
- Support of the Cheetah Conservation Fund, which is devoted to protecting the declining numbers of cheetahs in the wild. Primary activities include monitoring and detection of cheetah activity, research into developmental health of cheetah populations, protection of cheetah habitats, and educating the public about the benefits of conservation.

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 can purchase admission to the Zoos for themselves and up to four others for \$3.00 per person. Participation increased 181%, from 12,841 participants in FY 16 to 36,087 participants in FY 17.

**COMMONWEALTH ZOOLOGICAL CORPORATION  
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*Management's Discussion and Analysis*

*June 30, 2017 and 2016*

**Operational Highlights (Continued)**

**FY 2017 – A year of continued progress and new opportunities for our Zoos (Continued):**

- Community Pass Program: Non-profit organizations and community groups are eligible to receive a limited amount of free admission passes. ZNE distributed 2,693 passes to community groups during FY 17.
- Organizational Pass Program: Non-profit organizations may purchase an institutional pass enabling groups of individuals to attend the Zoos at greatly reduced cost.

**Animal Exhibits**

- As of June 30, 2017, Franklin Park Zoo features 60 public animal exhibits and Stone Zoo features 44. In September 2016, *Nature's Neighborhoods*, the new George Robert White Fund Children's Zoo, opened at Franklin Park Zoo. Featured exhibits include red panda, prairie dog, two turtle ponds and a walk-through wetlands aviary.
- In early May, the *Masters of Flight: Birds of Prey* show returned to Stone Zoo for the start of its eighth season. This educational program, that presents exotic, free-flight birds, continues to receive rave reviews from our guests. Additionally, two adult American alligators returned for their fourth summer at the seasonal American 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 Landing, filled with hundreds of free-flight butterflies, continued to delight visitors of all ages.
- Significant acquisitions at Franklin Park Zoo included the addition of a Bactrian camel, white-naped and hooded cranes, and Reeve's muntjac. At Stone Zoo, significant acquisitions included Chacoan peccaries, white-nosed coati and a variety of reptiles and amphibians for the new Animal Discovery Center. Births and hatches at Franklin Park Zoo included an ostrich, black-tailed prairie dogs, a Masai giraffe and an Eastern bongo. At Stone Zoo, births and hatches included rock hyraxes, a Linne's two-toed sloth, a reindeer, markhor and red-rumped agoutis.

**Attendance**

- In FY 17, Zoo New England experienced a decrease in daytime attendance with 547,718 visitors compared to 553,670 visitors in FY 16.
- Franklin Park Zoo's attendance reached 353,891, a decrease of 1,638 from 355,529 in FY 16.
- Stone Zoo's daytime attendance reached 193,827, a decrease of 4,314 from 198,141 in FY 16.
- Total FY 17 attendance for ZooLights (Stone Zoo's evening holiday light show, which operates primarily in the month of December) was 38,362, a decrease of 25,449 compared to 63,811 in FY 16.
- Total overall attendance inclusive of ZooLights in FY 17 was 586,080, compared to 617,211 in FY 16.

**Membership**

- In FY 17, Membership revenues from 16,497 member households brought in over \$1,600,000. This is the sixth year that membership revenue has exceeded more than \$1 million, and the third year that revenue has exceeded \$1,600,000.



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***Operational Highlights (Continued)***

**FY 2017 – A year of continued progress and new opportunities for our Zoos (Continued):**

**Education**

- In FY 17, we significantly increased the number of Wild Adventure programs, which include our Breakfasts with the Animals programs and premium tours, by 179% with 232 total programs compared to last year's 83. The number of program participants for our Wild Adventure programs increased by 194% to 1,991 participants in FY 17, compared to 789 in FY 16. These programs included 91 Breakfast with the Animals, Playful Paws and Curious Cubs with 1,510 participants, and 141 premium behind-the-scenes tours with 481 participants. Our camp participant numbers between both Franklin Park Zoo and Stone Zoo increased 14% in FY 17 with 458 participants, compared to 403 participants in FY 16. Our out-of-school time programs increased 47% in FY 17 to 190 programs, compared to 129 in FY 16.

**Rentals and Private Events**

- In FY 17, 105 individuals and 20 corporations hosted events ranging from birthday parties to corporate functions to outdoor concerts. A total of 125 events were held between Franklin Park Zoo and Stone Zoo, an increase of 13 events compared to the 112 events hosted in FY 16. 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 17, 167 regular individual volunteers donated a total of 9,589 hours of service. Individual volunteers worked in all departments, contributing significantly to the operation of Franklin Park Zoo and Stone Zoo.
- In FY 17, 2,968 group volunteers contributed 8,683 hours of service. Group volunteers from corporate groups, schools and volunteer organizations helped with a variety of projects at both Zoos.
- In FY 17, 45 interns contributed 12,917 hours of vital assistance to Zoo New England while gaining tremendous knowledge and preparation for future work opportunities.
- In total, 31,190 hours of essential services were contributed by 3,180 individual volunteers, group volunteers and interns in FY 17.

**Teen Programs**

- In FY 17, the teen programs hosted 79 young people in three different programs. The hallmark of our youth programs is our summer ZooTeen Program. Since its inception in 1999, the ZooTeen program has engaged over 1,500 Boston youth with authentic work experiences that allow young people to develop professional skills, build a strong sense of self, and provide for themselves and their families. In FY 17, 50 ZooTeens worked in a wide range of Zoo departments. Each ZooTeen received professional development experiences that provided them with broad exposure to zoo and conservation-oriented careers in a safe, structured and professional learning environment.
- Similar to the ZooTeen program, the Teen Ambassador program offers authentic work experiences to Boston youth throughout the school year, as well as the opportunity to work on a conservation project for the Zoo. In FY 17, eight Teen Ambassadors were employed. The teens also created a conservation-themed game, which was played with visitors at our Earth Day celebration in April 2017.
- As a stepping stone for the ZooTeen program, the Jr. ZooTeen program engages youth aged 11 – 14 in experiences that allow them to learn more about zoos and conservation on Saturdays throughout the school year. In FY 17, 21 Jr. ZooTeens participated in the program.

**COMMONWEALTH ZOOLOGICAL CORPORATION  
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*Management's Discussion and Analysis*

*June 30, 2017 and 2016*

***Operational Highlights (Continued)***

**FY 2017 – A year of continued progress and new opportunities for our Zoos (Continued):**

**Fundraising**

- Total fundraising for FY 17 consisted of the receipt of unrestricted gifts and pledges totaling approximately \$1.9M along with the receipt of restricted gifts and pledges totaling approximately \$2.1M. Such gifts represent an overall increase from FY 16 of approximately \$1.4M and 34%. The above gifts represent gifts received from individuals, foundations and corporations including corporate sponsorships (see below for detailed breakdown)
- ZNE received its largest capital gift from an individual donor, \$1,666,600 million, designated for capital developments at Stone Zoo. In addition, this anonymous gift also included a large unrestricted commitment. This marks a tremendous achievement for ZNE and illustrates a substantial vote-of-confidence in our future.
- In FY 17, the overall fundraising for operating was 99% to goal. The FY 17 fundraising goal was set at \$1,568,335. Funds raised totaled \$1,524,258.
- Unrestricted individual giving from donors was \$657,463, which was 82% of the goal set at \$804,500. The overall unrestricted fundraising goal was not exceeded and actual dollars decreased 11% from FY 16 to FY 17, raising \$657,463 compared to \$740,800. This was likely due to the additional focus we had on capital fundraising.
- Corporate support has been steady for several years. Corporate gifts include matching gifts and corporate sponsorships, and generated \$131,590 in FY 17, a decrease of \$15,442 compared to \$147,032 in FY 16. Timing of giving varies from year to year, so the decrease is reflective of periodic shifts in the date when a sponsorship is renewed.
- Unrestricted foundation support achieved 105% of the \$110,000 goal, totaling \$115,630. In FY 16, unrestricted support totaled \$135,120.
- Overall, unrestricted giving in FY 17 from individuals, corporate, foundations, and corporate sponsorships was 84% to the goal of \$1,077,560, raising a total of \$904,543, compared to FY 16 when the fundraising goal was set at \$961,030 and was exceeded by 6.5%, raising a total of \$1,023,010.
- Zootopia, Zoo New England's signature fundraising event, experienced another record-breaking year, raising \$455,490 in FY 17 primarily through corporate and individual sponsorships, and ticket sales, compared to \$414,408 in revenues in FY 16. This year's number put us 118% to the goal of raising \$385,300 as compared to the FY 16 goal of raising \$347,300. The Zoo hosted approximately 398 attendees, compared to 350 in FY 16, and brought the event to full capacity.
- Operating restricted funds raised in FY 17 decreased 10% to \$173,652 compared to \$192,638 in FY 16.
- Zoo New England hosted a Marathon team of five runners. The team was recruited late in the season due to a delay in receiving three bibs for the runners. In FY 17, they collectively raised \$40,729, down from \$51,027.47 in FY 16. Four of the five runners were new to the team.
- The campaign for Stone Zoo's new Animal Discovery Center (ADC) raised \$92,962 toward a longer term goal of \$150,000 to complete the project. The ADC and new entrance officially opened on August 8, 2017.
- The Development department continued to be under-staffed for all of FY 17, including the Vice President, Major Gifts Officer, Annual Fund/Operations Manager, and Development Assistant positions all being open at various times. With the promotion of several staff and the posting of the Major Gifts Officer position this summer, the coming year should prove to be a more stable and effective fundraising environment.

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***Operational Highlights (Continued)***

**FY 2017 – A year of continued progress and new opportunities for our Zoos (Continued):**

**Marketing**

- In FY 17, Zoo New England received \$202,400 in in-kind promotional advertising support from Clear Channel Outdoor, New England Cable News (NECN), Magic 106.7 and the Greater Boston Convention and Visitors Bureau.
- 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 17, ZNE continued to generate extensive press coverage from a wide range of print, broadcast and online media outlets. Examples of this include: extensive coverage of the new Children's Zoo at Franklin Park Zoo from outlets including The Boston Globe Magazine, Metro Boston, Chronicle, The Patriot Ledger and WBUR's The Artery Blog; extensive coverage of our annual holiday light show ZooLights, and significant media interest for many of the births throughout the year including a Masai giraffe, a Linne's two-toed sloth, an Eastern bongo, a cotton-top tamarin and prairie dogs.
- Social media continues to be an area of focus and growth. In the fall of FY 17, we added a Social Media Specialist position to the Marketing and Communications department. We set aggressive growth goals of increasing the Facebook audience for Franklin Park Zoo and Stone Zoo by 25% between January and June 2017. These goals were exceeded for this time period with the Franklin Park Zoo audience growing by 43%, from 27,032 to 38,644, and the Stone Zoo audience growing by 36%, from 18,509 to 25,164. In FY 17, our "likes" and followers across our social media platforms (Facebook, Twitter and Instagram) increased by 41% from a combined audience of 59,584 in FY 16 to a combined audience of 83,997 in FY 17. In January 2017, we added Snapchat to our social media mix and continue to work on building this audience.
- Throughout FY 17, ZNE generated a reach of an estimated 409,297,466 in total circulation, listenership and viewership. In FY 17, the estimated combined editorial value was \$862,367.98. (These measurements were based on standard industry metrics for quantifying the impact and value of media coverage).

**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 approximately \$23.8 million at June 30, 2017, a \$2.9 million increase from June 30, 2016.

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**FINANCIAL POSITION SUMMARY (Continued)**

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

|                                      | <b>2017</b>                 | <b>2016</b>                 | <b>2015</b>                 |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Assets:</b>                       |                             |                             |                             |
| Current assets                       | \$ 7,688,458                | \$ 7,709,556                | \$ 6,200,554                |
| Long term assets                     | -                           | 40,952                      | 91,700                      |
| Capital assets, net                  | 15,292,695                  | 12,815,420                  | 11,690,861                  |
| Service concession , net             | <u>4,097,240</u>            | <u>2,360,284</u>            | <u>745,908</u>              |
| <b>Total assets</b>                  | <b>27,078,393</b>           | <b>22,926,212</b>           | <b>18,729,023</b>           |
| <b>Liabilities:</b>                  |                             |                             |                             |
| Current liabilities                  | 2,822,079                   | 1,979,250                   | 1,309,172                   |
| LT liabilities                       | <u>334,855</u>              | <u>114,712</u>              | <u>111,175</u>              |
| <b>Total liabilities</b>             | <b>3,156,934</b>            | <b>2,093,962</b>            | <b>1,420,347</b>            |
| <b>Deferred inflows of resources</b> | <b>189,984</b>              | <b>-</b>                    | <b>-</b>                    |
| <b>Net Position:</b>                 |                             |                             |                             |
| Invested in capital assets           | 19,389,935                  | 15,139,447                  | 12,436,769                  |
| Restricted                           | 2,035,722                   | 2,388,104                   | 3,431,646                   |
| Unrestricted                         | <u>2,305,818</u>            | <u>3,304,699</u>            | <u>1,440,261</u>            |
| <b>Total net position</b>            | <b>\$ <u>23,731,475</u></b> | <b>\$ <u>20,832,250</u></b> | <b>\$ <u>17,308,676</u></b> |

Net position is comprised of three components as follows:

*Invested in capital assets and intangibles, net of related debt* represents the largest portion of ZNE's net position (approximately 80% at June 30, 2017). ZNE uses these capital assets at each Zoo location to provide and maintain attractions to patrons and provide them with a certain desired level of atmosphere when they come to visit the Zoo, as such these assets are not available for future spending. Although ZNE's investment in capital assets is net of any related debt, that debt is repaid from operations as it is unlikely that the capital assets will be liquidated to pay liabilities.

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**FINANCIAL POSITION SUMMARY (Continued)**

*Restricted net position* (approximately 9% at June 30, 2017) 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* (approximately 10% at June 30, 2017) 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, 2017 and 2016:

| <b>Asset Classification</b>    | <b>2017</b>                     | <b>2016</b>                     | <b>2015</b>                     |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Construction in process        | \$ 185,687                      | \$ 691,009                      | \$ 104,569                      |
| Building and land improvements | 25,613,031                      | 22,241,644                      | 21,530,612                      |
| Furnishings and equipment      | <u>4,854,995</u>                | <u>4,244,687</u>                | <u>3,550,282</u>                |
| <br>Total                      | <br>30,653,713                  | <br>27,177,340                  | <br>25,185,463                  |
| <br>Accumulated depreciation   | <br><u>15,361,018</u>           | <br><u>14,361,920</u>           | <br><u>13,494,602</u>           |
| <br><b>Capital assets, net</b> | <br><b>\$ <u>15,292,695</u></b> | <br><b>\$ <u>12,815,420</u></b> | <br><b>\$ <u>11,690,861</u></b> |

ZNE's gross capital assets have increased approximately \$3,475,000 during the current year in large part to the various construction projects ongoing at the Zoos, some of which are currently still ongoing and reported as Construction in process as of June 30, 2017. The Zoo has also purchased and placed into service a new Point of Sale system during 2017. Also, during every year, ZNE will perform repairs to its many exhibits resulting in increased capital costs reported as Building and land improvements. Required footnote disclosures relative to capital assets can be found under "Note 6 - Capital Assets" in the Notes to the Financial Statements.

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

*Management's Discussion and Analysis*

*June 30, 2017 and 2016*

**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:

|                                  | <b>2017</b>          | <b>2016</b>          | <b>2015</b>          |
|----------------------------------|----------------------|----------------------|----------------------|
| Operating revenues               | \$ 6,081,124         | \$ 6,415,490         | \$ 5,767,192         |
| Operating expenses               | 15,799,552           | 14,509,993           | 14,005,456           |
| Non-operating revenues (expense) | (325,060)            | 11,275               | 8,060                |
| Capital contributions            | <u>12,942,713</u>    | <u>11,606,802</u>    | <u>11,267,515</u>    |
| Change in net position           | 2,899,225            | 3,523,574            | 3,037,311            |
| Net position, beginning of year  | <u>20,832,250</u>    | <u>17,308,676</u>    | <u>14,271,365</u>    |
| Net position, end of year        | <u>\$ 23,731,475</u> | <u>\$ 20,832,250</u> | <u>\$ 17,308,676</u> |

**OPERATING REVENUES AND OPERATING EXPENSE HIGHLIGHTS**

The decrease in operating revenues is due to a decrease in overall attendance in the current year as cited above.

Overall decrease in operating revenues is consistent with a decrease in overall attendance at the Zoo during 2017 as mentioned previously. In addition, the current year increase in operating expenses is mainly due to the increase in salaries implemented during the last quarter of FY 2017 as well as the addition of several new executive level staff. Increased salaries and related benefits account for approximately \$1,000,000 of the increase in current year operating expenses. Also contributing to the overall increase is an increase of approximately \$275,000 of depreciation and amortization expense due to the significant amount of assets placed in service the latter half of FY 2016 and in FY 2017.

**CAPITAL CONTRIBUTION HIGHLIGHTS**

Overall increase in current year capital contributions is a result of the increase in the amount expended and subsequently reimbursed relative to the Mass Works grant. This was a \$3,000,000 total grant that was to be used for capital projects at the Zoo. In 2016, \$1,072,993 was expended and the balance of the grant, \$1,927,007, was expended in 2017. Also driving the increase is a large gift received in 2017 of approximately \$1,600,000 which is restricted for capital projects at the Stone Zoo.

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

*Management's Discussion and Analysis*

*June 30, 2017 and 2016*

***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 2017, school group visitation totaled 64,789 students who 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. With the opening of the new Children's Zoo in September 2017, we have the opportunity to attract even more students, K-5th grade, and assist teachers in integrating STEM and early childhood learning concepts into class field trips.

ZNE receives state appropriations through the Massachusetts Office of Travel and Tourism in the Department of Business and Technology. For FY 2017 operating support, the Zoos received \$7 million of state funds of which \$713,758 was received after June 30, 2017. Included in the current year support was \$1 million in FY 17 for deferred maintenance and capital expenditures from the State bond funds. With these funds, ZNE was able to embark upon or complete a number of projects including the new entry plaza at Stone Zoo, paving of essential pathways at Franklin Park Zoo and HVAC upgrades at both Zoos.

The Commonwealth also provided ZNE with a \$3 million MassWorks grant for FY 16-17. As of June 30, 2017, ZNE spent the \$3 million on various projects including demolition, construction and drainage work and began a renovation project at Stone Zoo, which will replace the outdated bathroom facilities, gift shop and Animal Discovery Center, as well as create a new entry and ticketing plaza. Demolition and construction began in FY 16. These are much needed, critical upgrades to Stone Zoo, which are anticipated to increase customer satisfaction, help attract new visitors and assist in increasing revenues. Upon completion of the Animal Discovery Center, Stone Zoo once again has year-round, indoor space for school programs and overnights, and will also be able to increase summer program offerings. With the exception of \$908,635, which was received in August 2017, the remainder of the \$3 million was received prior to June 30, 2017.

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

*Management's Discussion and Analysis*

*June 30, 2017 and 2016*

***Admission & Membership Rates***

The rates in effect as of June 30, 2017 are as follows:

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

Membership Fees (for both Zoos)

Individual \$80.00

Dual \$95.00

Family \$110.00

Family + \$140.00

Friend \$160.00

***Factors Impacting Future Periods:***

Zoo New England continues to make progress in this exciting phase in its history. *Nature's Neighborhoods*, the new George Robert White Fund Children's Zoo, at Franklin Park Zoo continues to receive positive reception and will attract visitors for years to come. In addition to attracting more visitors, members and earned revenues, it will also help ZNE to attract more sponsorship and major philanthropy. Construction on the new entry plaza at Stone Zoo has been completed. The plaza, which includes improved visitor amenities such as a new entrance and ticketing area, new restrooms and a new gift shop, has been well received and signals a new level of investment in Stone Zoo. All of these needed improvements are anticipated to increase customer satisfaction, help attract new visitors and assist in increasing revenues. Additionally, construction was completed on Stone Zoo's new Animal Discovery Center (ADC) and this space was opened to the public in August 2017. With the opening of the ADC, Stone Zoo once again has year-round, indoor space for revenue-generating opportunities including school programs, overnights and birthday party rentals. The ADC is also open to the public daily, providing additional animal encounters and programming to increase mission delivery and customer satisfaction.

Beginning in September of FY 18, construction will begin on the second phase of the Stone Zoo entry plaza renovations. Planned for a May 2018 opening, this new project will include a walk-through aviary and flamingo feeding opportunities, all of which has been made possible by private donations.

In May 2018, visitors to Franklin Park Zoo will be enthralled by a seasonal experience, available for an upcharge, featuring life-size animatronic dinosaurs. When Franklin Park Zoo hosted Zoorassic Park in 2012, it was well received by visitors and captured 32% of overall guest attendance between Memorial Day and Labor Day weekends. We are anticipating another great reception from our visitors for this seasonal experience.

The engagement of the ZNE Board of Directors remains at a very high level and this is having positive ramifications on the organization. Implementation of the Strategic Planning Committee designed to increase greater self-sufficiency, increase philanthropic support and mission delivery continues. Through implementation of the Strategic Plan, we will also 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. ZNE has hired a new Chief Operating Officer and is in the process of making strategic changes to the organizational structure. These organizational changes are directly related to the goals identified in the Strategic Plan.



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

***Management's Discussion and Analysis***

***June 30, 2017 and 2016***

***Factors Impacting Future Periods (Continued):***

The Commonwealth has been a strong partner in the success of our Zoos. For FY 18, the Commonwealth has committed \$7 million, of which \$6 million will be used toward operations and asset management and \$1 million is for capital funding for capital improvements and new construction for the Zoos.

ZNE will continue to develop, refine and expand a variety of earned revenue sources as demonstrated in recent years in order to expand operations and decrease reliance on state funding. On the expense side, ZNE has a proven track record of vigilantly tracking and managing expense increases in order to ensure positive financial outcomes. In regard to the mission-driven work that is really at the heart of the organization, ZNE continues to expand programming opportunities, as well as develop relationships with new education and conservation partners.

***Contacting the Commonwealth Zoological Corporation:***

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

*Financial Statements*

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

*Statements of Net Position*

|  | <i>June 30,</i>      |                      |
|--|----------------------|----------------------|
|  | <i>2017</i>          | <i>2016</i>          |
| <b>Assets</b>  |                      |                      |
| Current:   |                      |                      |
| Cash and cash equivalents  | \$ 3,027,576         | \$ 3,583,731         |
| Cash and cash equivalents for investment<br>in plant and equipment and other items | 2,045,174            | 2,289,252            |
| Investments  | 73,966               | 64,302               |
| Accounts receivable  | 115,237              | 137,251              |
| Due from other governments   | 908,636              | 141,781              |
| State appropriations receivable  | 1,073,320            | 1,064,000            |
| Pledges receivable   | 168,387              | 167,806              |
| Prepaid expenses and other assets  | 222,802              | 193,885              |
| Inventories  | 53,360               | 67,548               |
| Noncurrent:  |                      |                      |
| Pledges receivable   | -                    | 40,952               |
| Capital assets - net of accumulated depreciation                                   | 15,292,695           | 12,815,420           |
| Service concession agreement - net of accumulated amortization                     | 4,097,240            | 2,360,284            |
|  | <b>27,078,393</b>    | <b>22,926,212</b>    |
| <b>Liabilities</b>   |                      |                      |
| Current:   |                      |                      |
| Accounts payable   | 1,852,149            | 1,228,644            |
| Accrued compensation   | 275,503              | 281,827              |
| Accrued liability for compensated absences   | 280,825              | 252,896              |
| Accrued expenses   | 315,304              | 130,707              |
| Advances from grantors   | 98,298               | 48,919               |
| Note payable   | -                    | 36,257               |
| Noncurrent:  |                      |                      |
| Utilities note payable   | 198,656              | -                    |
| Accrued liability for compensated absences   | 136,199              | 114,712              |
|  | <b>3,156,934</b>     | <b>2,093,962</b>     |
| <b>Deferred inflows of resources</b>   | <b>189,984</b>       | <b>-</b>             |
| <b>Net position</b>  |                      |                      |
| Invested in capital assets and intangibles, net of related debt                    | 19,389,935           | 15,139,447           |
| Restricted for:  |                      |                      |
| Capital projects   | 1,640,301            | 2,068,529            |
| Education and other programs   | 374,820              | 319,575              |
| Unrestricted   | 2,326,419            | 3,304,699            |
|  | <b>23,731,475</b>    | <b>20,832,250</b>    |
| <b>Total net position</b>  | <b>\$ 23,731,475</b> | <b>\$ 20,832,250</b> |

**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>2017</i>                 | <i>2016</i>          |
| Operating revenues:                            |                             |                      |
| Guest operating revenue:                       |                             |                      |
| Admissions                                     | \$ 3,420,064                | \$ 3,863,798         |
| Concessions revenue                            | 291,702                     | 250,147              |
| Membership fees                                | 1,628,966                   | 1,591,751            |
| <b>Total guest operating revenue</b>           | <b>5,340,732</b>            | <b>5,705,696</b>     |
| Other operating revenue                        | 740,392                     | 709,794              |
| <b>Total operating revenue</b>                 | <b>6,081,124</b>            | <b>6,415,490</b>     |
| Operating expenses:                            |                             |                      |
| Animal care                                    | 4,368,699                   | 4,014,117            |
| Educational                                    | 843,560                     | 630,123              |
| Facilities and grounds                         | 4,212,482                   | 3,847,466            |
| Fundraising                                    | 603,406                     | 799,788              |
| General and administrative                     | 1,938,003                   | 1,684,913            |
| Guest services                                 | 2,693,020                   | 2,666,267            |
| Depreciation and amortization                  | 1,140,382                   | 867,319              |
| <b>Total operating expenses</b>                | <b>15,799,552</b>           | <b>14,509,993</b>    |
| <b>Operating loss</b>                          | <b>(9,718,428)</b>          | <b>(8,094,503)</b>   |
| Non-operating revenues (expenses):             |                             |                      |
| Utilities expense                              | (347,648)                   | -                    |
| Investment income                              | 22,588                      | 11,275               |
| <b>Total non-operating revenues (expenses)</b> | <b>(325,060)</b>            | <b>11,275</b>        |
| <b>Loss before capital contributions</b>       | <b>(10,043,488)</b>         | <b>(8,083,228)</b>   |
| Capital contributions:                         |                             |                      |
| State appropriations                           | 7,000,000                   | 7,900,000            |
| Grants - other governments                     | 1,927,007                   | 1,072,993            |
| Private gifts - unrestricted                   | 1,905,805                   | 2,137,802            |
| Private gifts - restricted                     | 2,109,901                   | 496,007              |
| <b>Total capital contributions</b>             | <b>12,942,713</b>           | <b>11,606,802</b>    |
| <b>Change in net position</b>                  | <b>2,899,225</b>            | <b>3,523,574</b>     |
| Net position, beginning of year                | 20,832,250                  | 17,308,676           |
| <b>Net position, end of year</b>               | <b>\$ 23,731,475</b>        | <b>\$ 20,832,250</b> |

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

*Statements of Cash Flows*

|   | <i>Years Ended June 30,</i> |                       |
|---|-----------------------------|-----------------------|
|   | <i>2017</i>                 | <i>2016</i>           |
| <b>Cash flows from operating activities:</b>                                      |                             |                       |
| Operating revenues from guests  | \$ 5,340,732                | \$ 5,705,696          |
| Other operating revenue   | 811,785                     | 468,272               |
| Payments to employees   | (6,920,410)                 | (6,103,272)           |
| Payments for benefits   | (1,809,859)                 | (1,683,320)           |
| Payments for utilities  | (1,446,199)                 | (1,257,440)           |
| Payments to suppliers   | (5,069,783)                 | (4,620,929)           |
|   | <u>(9,093,734)</u>          | <u>(7,490,993)</u>    |
| <b>Net cash used in operating activities</b>                                      |                             |                       |
| <b>Cash flows from non-capital financing activities:</b>                          |                             |                       |
| State appropriations  | 4,049,000                   | 4,901,000             |
| Gifts and grants for other than capital purposes                                  | 1,925,067                   | 2,123,227             |
|   | <u>5,974,067</u>            | <u>7,024,227</u>      |
| <b>Net cash provided by non-capital financing activities</b>                      |                             |                       |
| <b>Cash flows from capital and related financing activities:</b>                  |                             |                       |
| State appropriations - restricted to capital use                                  | 2,941,680                   | 1,985,000             |
| Purchases of capital assets   | (1,990,726)                 | (1,259,273)           |
| Purchases of intangible - service concession agreement                            | (1,878,240)                 | (1,614,376)           |
| Grants - other governments  | 1,927,007                   | 1,072,993             |
| Private gifts - restricted  | 1,343,046                   | 448,294               |
|   | <u>2,342,767</u>            | <u>632,638</u>        |
| <b>Net cash provided by investing activities</b>                                  |                             |                       |
| <b>Cash flows from investing activities:</b>                                      |                             |                       |
| Investment income   | 22,588                      | 11,275                |
| Purchase of investments   | (9,664)                     | -                     |
| Principal paid on capital debt and leases   | (36,257)                    | (36,404)              |
| Change in cash held for investment in plant and equipment                         | 244,078                     | 900,291               |
|   | <u>220,745</u>              | <u>875,162</u>        |
| <b>Net cash provided by (used in) investing activities</b>                        |                             |                       |
| <b>Net increase in cash and cash equivalents</b>                                  | <u>(556,155)</u>            | <u>1,041,034</u>      |
| Cash and cash equivalents, beginning  | 3,583,731                   | 2,542,697             |
| <b>Cash and cash equivalents, ending</b>  | <u>\$ 3,027,576</u>         | <u>\$ 3,583,731</u>   |
| <b>Reconciliation of operating loss to net cash used in operating activities:</b> |                             |                       |
| <b>Operating loss</b>   | <u>\$ (9,718,428)</u>       | <u>\$ (8,094,503)</u> |
| Adjustment to reconcile operating loss to net cash used in operating activities:  |                             |                       |
| Depreciation and amortization expense   | 1,140,382                   | 867,319               |
| Change in allowance for uncollectible pledges                                     | (70,990)                    | -                     |
| Receivables   | 93,004                      | (82,293)              |
| Inventories   | 14,188                      | (8,173)               |
| Prepaid expenses and other assets   | (28,917)                    | (149,334)             |
| Accounts payable  | (651,049)                   | (41,712)              |
| Accrued compensation  | (6,324)                     | 60,865                |
| Accrued liability for compensated absences  | 49,416                      | (4,394)               |
| Accrued expenses  | 35,605                      | 11,644                |
| Advances from grantors  | 49,379                      | (50,412)              |
|   | <u>624,694</u>              | <u>603,510</u>        |
| <b>Total adjustments</b>  |                             |                       |
| <b>Net cash used in operating activities</b>                                      | <u>\$ (9,093,734)</u>       | <u>\$ (7,490,993)</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 thirty member Board of Directors 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. In addition, the Commonwealth also approves the Zoo’s capital programs. As such, the Zoo is included in the Commonwealth’s basic financial statements. The accompanying financial statements present the financial position and the changes in the net position and cash flows of the Zoo only. The Zoo is not involved in any joint ventures.

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

The Franklin Park and Stone Zoo’s current accreditations from the American Zoo and Aquarium Association (“Association”) will expire in September 2019. 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 statement of cash flows, the Zoo's cash and cash equivalents are considered to be cash on hand, cash on deposit with financial institutions and short-term investments with an initial maturity of three months or less. The Zoo does not consider cash and cash equivalents received with donor-imposed restrictions limiting their use for long-term purposes to be cash and cash equivalents.

*Fair Value Measurements*

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

Level 1—Investments reflect prices quoted in active markets.

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

Level 3—Investments reflect prices based upon unobservable sources.

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

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

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

*Notes to Financial Statements*

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

*Investments*

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

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

*Grants, Gifts and Pledges*

The Zoo receives pledges, grants and gifts of financial support from corporations, foundations and individuals. 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.

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

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

*Inventories and Prepaid Items*

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



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

*Notes to Financial Statements*

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

*Capital Assets and Collections*

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

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

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

Purchases and exhibit fees of collection items totaled approximately \$145,400 and \$135,400, which is included in animal care and guest services under special events expense at June 30, 2017 and 2016, 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, 2017 and 2016.

*Service Concession Agreement*

Service concession agreement represents 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. These assets, as they are placed into service, are being amortized on the straight-line basis over the estimated useful lives of the underlying assets which range from 27 to 40 years or the term of the arrangement, whichever is shorter.

*Advances from Grantors*

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

*Fringe Benefits*

The Zoo provides a fringe benefit program for its employees including health and dental insurance, life and disability insurance, and unemployment and worker's compensation benefits. There is also a 401(k) plan with voluntary employee contributions and a partial employer match. (See Note 13)

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

*Notes to Financial Statements*

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

*Compensated Absences*

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

*Income Tax Status*

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

*Uncertain Tax Positions*

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

*Reclassifications*

Certain reclassifications have been made to the 2016 financial statements in order to conform to the current year presentation.

*Subsequent Events*

The Zoo has evaluated subsequent events through September 27, 2017, 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>2017</i>                | <i>2016</i>                |
|---|----------------------------|----------------------------|
| Bank balance of cash and cash equivalents                                       | \$ 5,165,194               | \$ 7,003,496               |
| Reconciling items (deposits in transit, outstanding checks, etc.), net          | <u>(92,444)</u>            | <u>(1,130,513)</u>         |
| <b>Total cash and cash equivalents</b>  | <b><u>\$ 5,072,750</u></b> | <b><u>\$ 5,872,983</u></b> |
| Bank deposits insured by the Federal Deposit Insurance Corporation              | \$ 520,445                 | \$ 520,445                 |
| Bank deposits uninsured and uncollateralized                                    | <u>4,644,749</u>           | <u>6,483,051</u>           |
| <b>Total bank deposits</b>  | <b><u>\$ 5,165,194</u></b> | <b><u>\$ 7,003,496</u></b> |
| Cash and cash equivalents as displayed on the statements of net position:       |                            |                            |
| Cash and cash equivalents   | \$ 3,027,576               | \$ 3,583,731               |
| Cash and cash equivalents for investment in plant and equipment and other items | <u>2,045,174</u>           | <u>2,289,252</u>           |
| <b>Total</b>  | <b><u>\$ 5,072,750</u></b> | <b><u>\$ 5,872,983</u></b> |

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, 2017, the Zoo was in compliance with such state regulations.

*Note 3 - Investments*

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

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

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

*Notes to Financial Statements*

**Note 4 - Pledges Receivable**

Pledges receivable are as follows at June 30:

|   | <i>2017</i>       | <i>2016</i>       |
|---|-------------------|-------------------|
| Unconditional promises expected to be collected in: |                   |                   |
| Less than one year                                  | \$ 228,387        | \$ 167,806        |
| One year to three years                             | -                 | 45,333            |
|   | 228,387           | 213,139           |
| Less allowance for doubtful pledges                 | (60,000)          | -                 |
| Less present value discount                         | -                 | (4,381)           |
|   | <b>\$ 168,387</b> | <b>\$ 208,758</b> |

Overall, a five year Treasury rate was used to calculate the present value discount. As of June 30, 2017 and 2016, this rate was 1.89% and 1.50%, respectively, and was inflated by 0.50% and 0.49%, respectively, where appropriate to reflect a risk adjustment. Given that as of June 30, 2017 all pledges were due in less than one year, no present value calculation was required.

**Note 5 - Due from Other Governments**

The Zoo participates in a variety of state and local programs through which it receives grants to partially or fully finance certain activities. In addition, the Zoo receives entitlements from the State through annual appropriations and bond funds for various cultural and capital projects. Amounts due from other governments as of June 30, 2017 and 2016, respectively, are summarized below:

|                                   | <i>2017</i>       | <i>2016</i>       |
|-----------------------------------|-------------------|-------------------|
| MassWorks                         | \$ 908,636        | \$ 138,781        |
| Miscellaneous                     | -                 | 3,000             |
|                                   | -                 | 3,000             |
| <b>Due from other governments</b> | <b>\$ 908,636</b> | <b>\$ 141,781</b> |

**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, 2017 was as follows:

|  | <i>Beginning<br/>Balance</i> | <i>Increases</i>           | <i>Decreases</i>   | <i>Transfers</i>   | <i>Ending<br/>Balance</i>   |
|--|------------------------------|----------------------------|--------------------|--------------------|-----------------------------|
| Capital assets, not being depreciated: |                              |                            |                    |                    |                             |
| Construction in process                | \$ 691,009                   | \$ 185,687                 | \$ -               | \$ (691,009)       | \$ 185,687                  |
| Capital assets, being depreciated:     |                              |                            |                    |                    |                             |
| Buildings, including improvements      | 22,241,643                   | 2,680,378                  | -                  | 691,009            | 25,613,030                  |
| Furnishings and equipment              | 4,244,687                    | 610,308                    | -                  | -                  | 4,854,995                   |
| Total capital assets being depreciated | <u>26,486,330</u>            | <u>3,290,686</u>           | <u>-</u>           | <u>691,009</u>     | <u>30,468,025</u>           |
| <b>Total at historical cost</b>        | <b><u>27,177,339</u></b>     | <b><u>3,476,373</u></b>    | <b><u>-</u></b>    | <b><u>-</u></b>    | <b><u>30,653,712</u></b>    |
| Less: accumulated depreciation for:    |                              |                            |                    |                    |                             |
| Buildings, including improvements      | (10,901,869)                 | (810,998)                  | -                  | -                  | (11,712,867)                |
| Furnishings and equipment              | (3,460,050)                  | (188,100)                  | -                  | -                  | (3,648,150)                 |
| <b>Total accumulated depreciation</b>  | <b><u>(14,361,919)</u></b>   | <b><u>(999,098)</u></b>    | <b><u>-</u></b>    | <b><u>-</u></b>    | <b><u>(15,361,017)</u></b>  |
| <b>Net capital assets</b>              | <b><u>\$ 12,815,420</u></b>  | <b><u>\$ 2,477,275</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 15,292,695</u></b> |

**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, 2016 was as follows:

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

*Note 7 - Construction Commitments*

During fiscal year ended June 30, 2017, the Zoo entered into contracts with a design firm and two general contractors totaling approximately \$2,500,000 for the construction and related engineering of the Stone Zoo's entryway project, of which approximately \$2,032,000 was paid through June 30, 2017. Subsequent to year end, the Zoo paid approximately \$468,000 under these contracts through September 27, 2017.

*Note 8 - Service Concession Agreement*

*Children's Zoo - George Robert White Fund*

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

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

*Notes to Financial Statements*

*Note 8 - Service Concession Agreement (Continued)*

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

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

Per the terms of the lease, the Zoo is required to acknowledge in its financial statements that the use of the facility is a "gift-in-title" from the GRW and that the value of this gift is equal to \$10.00 per square foot. As such, the Zoo acknowledges the value of the "gift-in-kind" to be \$144,120 for the years ended June 30, 2017 and 2016.

*Concessionaire*

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

During 2017, \$211,903 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, 2017. During 2017, \$21,109 of the deferred inflows were amortized and recorded as non-operating contribution revenue on the accompanying statements of revenues, expenses and changes in net assets.

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

*Notes to Financial Statements*

*Note 8 - Service Concession Agreement (Continued)*

Service concession agreement activity for the years ended June 30, 2017 and 2016 was as follows:

*June 30, 2017*

|  | <i>Beginning<br/>Balance</i> | <i>Increases</i>           | <i>Decreases</i>   | <i>Ending<br/>Balance</i>  |
|--|------------------------------|----------------------------|--------------------|----------------------------|
| Service concession assets being amortized: |                              |                            |                    |                            |
| Franklin Park Children's Zoo               | \$ 2,360,284                 | \$ 1,878,240               | \$ -               | \$ 4,238,524               |
| Less: accumulated amortization for:        |                              |                            |                    |                            |
| Franklin Park Children's Zoo               | <u>-</u>                     | <u>(141,284)</u>           | <u>-</u>           | <u>(141,284)</u>           |
| <b>Net service concession assets</b>       | <b><u>\$ 2,360,284</u></b>   | <b><u>\$ 1,736,956</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 4,097,240</u></b> |

*June 30, 2016*

|                              | <i>Beginning<br/>Balance</i> | <i>Increases</i>    | <i>Decreases</i> | <i>Ending<br/>Balance</i> |
|------------------------------|------------------------------|---------------------|------------------|---------------------------|
| Franklin Park Children's Zoo | <u>\$ 745,908</u>            | <u>\$ 1,614,377</u> | <u>\$ -</u>      | <u>\$ 2,360,285</u>       |

*Note 9 - Food Service Tenant Agreement*

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



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

*Notes to Financial Statements*

***Note 10 - Operating Leases***

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

|      |    |        |
|------|----|--------|
| 2018 | \$ | 15,400 |
| 2019 |    | 15,400 |
| 2020 |    | 15,400 |
| 2021 |    | 1,300  |

***Note 11 - 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, with \$148,992 due prior to June 30, 2018.

***Note 12 - Debt***

The Zoo has a demand line of credit with a bank, whereby it may borrow up to \$1,000,000 with interest payable monthly, at a borrowing rate of 30-day LIBOR plus 3.50% (3.97% at June 30, 2017). 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, 2017 and 2016.

During 2016, the Zoo took on a term note in the original amount of \$72,178 to finance a boiler replacement. The note is payable in monthly installments of \$3,095 including interest at 4%. The note was paid in full during 2017.

***Note 13 - 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 \$118,563 and \$104,621 for the years ended June 30, 2017 and 2016, respectively.

***Note 14 - Government Support***

Total combined government support received from the Commonwealth totaled \$7,000,000 for the year ended June 30, 2017, consisting of \$4,000,000 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. Such amounts totaled \$4,900,000 and \$3,000,000 for the year ended June 30, 2016 respectively.

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

*Notes to Financial Statements*

*Note 15 - Donated Materials and Services*

The Zoo received donations of materials and services totaling \$505,913 and \$688,472 for the years ended June 30, 2017 and 2016, respectively. The value of donated materials was \$178,003 and \$161,133 for the years ended June 30, 2017 and 2016, 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 \$327,910 and \$525,339 for years ended June 30, 2017 and 2016, 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 16 - Cash Flow Information*

During 2017, \$211,093 of current year service concession agreement intangible assets were recorded as deferred inflows (see Note 8). At June 30, 2017 and 2016, \$1,274,554 and \$661,367, respectively, of capital asset purchases were included in accounts payable.

*Note 17 - Risk Management and Contingent Liabilities*

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

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

*Reporting Under Government Auditing Standards*



*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, 2017 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 27, 2017.

***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.

*Maya Heyman McCann P.C.*

September 27, 2017  
Boston, Massachusetts