

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

**Combined Financial Statements,
Supplementary Information and Reports Required by
Chapter 10.650, *Rules of the Auditor General***

**September 30, 2018 and 2017
(With Independent Auditor's Report Thereon)**

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

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Independent Auditor’s Report on Basic Combined Financial Statements and Supplementary Information

The Board of Trustees
Lowry Park Zoological Society of Tampa, Inc.:

We have audited the accompanying combined financial statements of the Lowry Park Zoological Society of Tampa, Inc. and the Lowry Park Zoo Endowment Foundation, Inc. (collectively, the “Zoo”), which comprise the combined statements of financial position as of September 30, 2018 and 2017, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these combined 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Zoo as of September 30, 2018 and 2017, and the changes in its net assets, its cash flows, and its functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.650, *Rules of the Auditor General*, and is not a required part of the basic combined financial statements. The combining information on pages 28 - 33 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019 on our consideration of the Zoo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Zoo's internal control over financial reporting and compliance.

MAYER HOFFMAN MCCANN P.C.

January 25, 2019
Clearwater, Florida

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combined Statements of Financial Position

September 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 2,273,877	2,269,079
Accounts and other receivables	1,029,699	467,156
Inventories	266,582	246,018
Prepaid expenses	966,821	725,580
Pledges receivable, net	2,298,970	2,909,142
Investments	19,497,597	18,641,123
Interest in KML Properties, LLC	405,422	600,915
Beneficial interest in assets held by the Community Foundation	25,912	24,308
Property and equipment, net	40,205,072	34,790,568
Cash restricted for long-term use	888,953	507,105
	\$ 67,858,905	61,180,994
Total assets	\$ 67,858,905	61,180,994
Liabilities and Net Assets		
Liabilities:		
Lines of credit	\$ 4,804,815	2,200,000
Accounts payable and accrued expenses	3,180,309	2,693,380
Deferred revenue	1,541,534	1,510,114
Long-term debt	2,208,021	2,465,529
	11,734,679	8,869,023
Total liabilities	11,734,679	8,869,023
Net assets:		
Unrestricted:		
Operations deficit	(6,470,842)	(4,195,880)
Property and equipment, net of related debt	37,997,051	32,378,861
Board-designated endowment funds	14,119,895	13,504,537
	45,646,104	41,687,518
Total unrestricted	45,646,104	41,687,518
Temporarily restricted	4,498,669	4,645,000
Permanently restricted	5,979,453	5,979,453
	56,124,226	52,311,971
Total net assets	56,124,226	52,311,971
Total liabilities and net assets	\$ 67,858,905	61,180,994

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combined Statement of Activities

For the Year Ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and support:				
Admissions charges	\$ 12,623,290	-	-	12,623,290
Restaurant and gift shop sales	3,816,870	-	-	3,816,870
Concessions, net	684,010	-	-	684,010
Fundraising and special events - net of direct expense of \$439,290	315,994	-	-	315,994
Education classes and programs	943,349	-	-	943,349
Contributions	2,019,732	537,335	-	2,557,067
Grants	770,954	4,433,517	-	5,204,471
Investment return, net	1,114,089	198,248	-	1,312,337
Other revenues	408,362	-	-	408,362
Net assets released from restrictions	5,315,431	(5,315,431)	-	-
Total revenues and support	28,012,081	(146,331)	-	27,865,750
Operating expenses:				
Program services:				
Animal collections and care	4,998,403	-	-	4,998,403
Merchandise and selling operations	1,474,407	-	-	1,474,407
Park operations and maintenance	7,301,291	-	-	7,301,291
Educational activities	1,129,958	-	-	1,129,958
Public policy, media, and community issues	432,501	-	-	432,501
Total program services	15,336,560	-	-	15,336,560
Support services:				
General and administrative	2,869,282	-	-	2,869,282
Development	608,938	-	-	608,938
Marketing and membership activities	2,598,336	-	-	2,598,336
Total support services	6,076,556	-	-	6,076,556
Total operating expenses	21,413,116	-	-	21,413,116
Change in net assets before other income (expense)	6,598,965	(146,331)	-	6,452,634
Other income (expense):				
Change in beneficial interest assets	2,572	-	-	2,572
Change in interest in KML Properties, LLC	79,507	-	-	79,507
Depreciation	(2,506,418)	-	-	(2,506,418)
Interest expense	(215,726)	-	-	(215,726)
Other expenses and losses	(314)	-	-	(314)
Change in net assets	3,958,586	(146,331)	-	3,812,255
Net assets at beginning of year	41,687,518	4,645,000	5,979,453	52,311,971
Net assets at end of year	\$ 45,646,104	4,498,669	5,979,453	56,124,226

See accompanying independent auditor's report and notes to combined financial statements.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combined Statement of Activities

For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Admissions charges	\$ 12,456,168	-	-	12,456,168
Restaurant and gift shop sales	3,992,191	-	-	3,992,191
Concessions, net	733,050	-	-	733,050
Fundraising and special events - net of direct expense of \$443,990	293,024	-	-	293,024
Education classes and programs	944,298	-	-	944,298
Contributions	635,764	2,186,612	-	2,822,376
Grants	822,749	1,608,376	-	2,431,125
Investment return, net	2,074,268	338,343	-	2,412,611
BP settlement award	1,081,375	-	-	1,081,375
Other revenues	229,022	-	-	229,022
Net assets released from restrictions	3,796,469	(3,796,469)	-	-
Total revenues and support	27,058,378	336,862	-	27,395,240
Operating expenses:				
Program services:				
Animal collections and care	5,427,184	-	-	5,427,184
Merchandise and selling operations	1,509,763	-	-	1,509,763
Park operations and maintenance	8,463,617	-	-	8,463,617
Educational activities	1,144,339	-	-	1,144,339
Public policy, media, and community issues	407,569	-	-	407,569
Total program services	16,952,472	-	-	16,952,472
Support services:				
General and administrative	2,041,244	-	-	2,041,244
Development	597,419	-	-	597,419
Marketing and membership activities	2,628,367	-	-	2,628,367
Total support services	5,267,030	-	-	5,267,030
Total operating expenses	22,219,502	-	-	22,219,502
Change in net assets before other income (expense)	4,838,876	336,862	-	5,175,738
Other income (expense):				
Change in beneficial interest assets	1,861	-	-	1,861
Change in interest in KML Properties, LLC	1,410	-	-	1,410
Depreciation	(2,534,880)	-	-	(2,534,880)
Interest expense	(144,299)	-	-	(144,299)
Other income and gains	(400,009)	-	-	(400,009)
Change in net assets	1,762,959	336,862	-	2,099,821
Net assets at beginning of year	39,924,559	4,308,138	5,979,453	50,212,150
Net assets at end of year	\$ 41,687,518	4,645,000	5,979,453	52,311,971

See accompanying independent auditor's report and notes to combined financial statements.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combined Statements of Cash Flows

For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets:	\$ 3,812,255	2,099,821
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,506,418	2,534,880
Net realized and unrealized gains on investments	(835,910)	(2,055,572)
Change in beneficial interest assets	(2,572)	(1,861)
Net increase in KML Properties, LLC interest	(79,507)	(1,410)
Loss on disposal of property and equipment	-	400,056
Contributions restricted for investment in long-term assets	(5,642,279)	(2,546,459)
Changes in operating assets and liabilities:		
Accounts and other receivables	(562,543)	573,416
Inventories	(20,564)	(3,865)
Prepaid expenses	(241,241)	34,174
Pledges receivable, net	610,172	(1,792,942)
Accounts payable and accrued expenses	(316,472)	(70,381)
Deferred revenue	31,420	323,410
Net cash used in operating activities	(740,823)	(506,733)
Cash flows from investing activities:		
Purchase of assets restricted for long-term use	(2,466,004)	(304,546)
Distributions received from KML Properties, LLC	275,000	50,000
Proceeds from sales of investments	3,536,081	4,145,702
Purchases of investments	(3,556,645)	(3,554,367)
Purchase of property and equipment	(7,117,521)	(2,659,589)
Net cash used in investing activities	(9,329,089)	(2,322,800)
Cash flows from financing activities:		
Collection of contributions restricted for investment in long-term assets	7,726,435	4,333,324
Net borrowings on lines of credit	2,604,815	1,800,000
Payments on long-term debt	(257,508)	(1,555,630)
Distributions received from beneficial interests	968	111,757
Net cash provided by financing activities	10,074,710	4,689,451
Net change in cash and cash equivalents	4,798	1,859,918
Cash and cash equivalents at beginning of year	2,269,079	409,161
Cash and cash equivalents at end of year	\$ 2,273,877	2,269,079
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 340,751	154,482
Non-cash investing and financing activities:		
Marketable securities received as a pledge payment	\$ -	590,108
Change in accounts payable attributable to purchases of property and equipment	\$ 803,401	-

See accompanying independent auditor's report and notes to combined financial statements.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combined Statement of Functional Expenses

For the Year Ended September 30, 2018

	Program Services					Support Services					Total
	Animal Collections and Care	Merchandise and Selling Operations	Park Operations and Maintenance	Educational Activities	Public Policy, Media, and Community Issues	Total Program Services	General and Administrative	Development	Marketing and Membership Activities	Total Support Services	
Salaries and wages	\$ 2,520,703	525,575	3,641,493	785,186	103,809	7,576,766	1,134,878	349,547	511,131	1,995,556	9,572,322
Benefits and payroll taxes	646,026	74,018	692,472	157,706	15,550	1,585,772	127,915	52,820	76,186	256,921	1,842,693
Total salaries and related expenses	3,166,729	599,593	4,333,965	942,892	119,359	9,162,538	1,262,793	402,367	587,317	2,252,477	11,415,015
Subcontract labor	500	-	376,338	43,978	-	420,816	-	-	-	-	420,816
Merchandise purchases	-	751,830	-	-	-	751,830	-	-	-	-	751,830
Animal purchases and conservation	53,726	-	-	-	-	53,726	-	-	-	-	53,726
Animal food	642,993	-	-	-	-	642,993	-	-	-	-	642,993
Advertising	-	-	195,360	-	112,218	307,578	114	4,770	1,290,507	1,295,391	1,602,969
Utilities	500,257	36,837	404,194	20,199	748	962,235	9,340	9,346	8,598	27,284	989,519
Janitorial service and supplies	9,376	-	88,804	179	-	98,359	-	-	-	-	98,359
Office supplies	2,499	936	10,971	2,237	-	16,643	8,362	1,889	674	10,925	27,568
Travel	63,744	437	10,718	7,661	-	82,560	27,865	9,100	49,382	86,347	168,907
Service contracts	52,983	3,032	103,565	15,814	1,132	176,526	71,977	5,197	13,023	90,197	266,723
Telephone	5,716	2,914	13,236	3,329	208	25,403	15,634	2,462	2,388	20,484	45,887
Supplies	84,091	38,615	414,548	43,907	54	581,215	6,393	2,395	23,573	32,361	613,576
Insurance expense	103,926	24,458	114,061	32,414	519	275,378	9,724	6,483	5,964	22,171	297,549
Postage	6,935	385	851	257	1,546	9,974	3,057	4,853	17,783	25,693	35,667
Repairs and maintenance	56,451	1,936	471,981	7,282	-	537,650	440	1,572	1,679	3,691	541,341
Equipment and exhibit rental	30,335	4,615	198,483	-	-	233,433	2,724	-	14,468	17,192	250,625
Signage	-	21	25,908	-	-	25,929	-	3,429	4,848	8,277	34,206
Dues and subscriptions	50,389	-	29,632	2,354	-	82,375	22,567	7,155	20,097	49,819	132,194
Office expense	-	-	8,768	-	-	8,768	356,775	492	14,492	371,759	380,527
Bad debt expense	-	-	-	-	-	-	764,147	-	-	764,147	764,147
Professional fees	30,060	2,047	320,289	-	196,717	549,113	222,615	68,495	196,716	487,826	1,036,939
Printing and binding	1,473	1,120	7,327	215	-	10,135	2,469	4,053	318,068	324,590	334,725
Uniforms	31,575	3,791	41,292	5,998	-	82,656	57,237	2,114	3,710	63,061	145,717
Vet care	100,701	-	-	-	-	100,701	-	-	-	-	100,701
Donor cultivation and outreach	-	-	-	519	-	519	1,172	51,686	4,062	56,920	57,439
IT hardware and software	3,944	1,840	131,000	723	-	137,507	23,877	21,080	20,987	65,944	203,451
Total before interest and depreciation	4,998,403	1,474,407	7,301,291	1,129,958	432,501	15,336,560	2,869,282	608,938	2,598,336	6,076,556	21,413,116
Interest	-	-	-	-	-	-	215,726	-	-	215,726	215,726
Depreciation	1,098,229	266,069	996,096	129,951	-	2,490,345	13,247	369	2,457	16,073	2,506,418
Total	\$ 6,096,632	1,740,476	8,297,387	1,259,909	432,501	17,826,905	3,098,255	609,307	2,600,793	6,308,355	24,135,260

See accompanying independent auditor's report and notes to combined financial statements.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combined Statement of Functional Expenses

For the Year Ended September 30, 2017

	Program Services					Support Services					Total
	Animal Collections and Care	Merchandise and Selling Operations	Park Operations and Maintenance	Educational Activities	Public Policy, Media, and Community Issues	Total Program Services	General and Administrative	Development	Marketing and Membership Activities	Total Support Services	
Salaries and wages	\$ 2,602,020	493,846	3,733,207	695,278	95,430	7,619,781	985,630	303,099	541,360	1,830,089	9,449,870
Benefits and payroll taxes	668,313	72,299	742,754	153,267	12,026	1,648,659	119,643	47,730	78,109	245,482	1,894,141
Total salaries and related expenses	3,270,333	566,145	4,475,961	848,545	107,456	9,268,440	1,105,273	350,829	619,469	2,075,571	11,344,011
Subcontract labor	1,351	-	359,539	20,133	-	381,023	-	34,383	2,595	36,978	418,001
Merchandise purchases	-	819,869	-	-	-	819,869	-	-	-	-	819,869
Animal purchases and conservation	59,979	-	-	-	-	59,979	-	-	-	-	59,979
Animal food	791,961	-	-	240	-	792,201	-	-	-	-	792,201
Advertising	2,242	-	200,014	57,762	113,844	373,862	-	1,400	1,344,676	1,346,076	1,719,938
Utilities	592,611	59,174	447,962	49,149	778	1,149,674	9,760	9,719	8,941	28,420	1,178,094
Janitorial service and supplies	10,458	-	170,559	10	-	181,027	-	-	-	-	181,027
Office supplies	3,068	1,894	6,041	4,447	-	15,450	13,317	1,315	1,082	15,714	31,164
Travel	43,735	1,541	18,923	3,208	-	67,407	20,117	7,829	43,909	71,855	139,262
Service contracts	53,219	3,701	64,705	13,436	1,395	136,456	91,762	5,151	16,042	112,955	249,411
Telephone	4,891	2,519	11,490	2,893	161	21,954	13,281	1,832	1,855	16,968	38,922
Supplies	91,656	11,481	382,120	43,671	96	529,024	8,222	4,543	19,063	31,828	560,852
Insurance expense	96,578	22,726	105,960	30,118	482	255,864	9,035	6,024	5,542	20,601	276,465
Postage	6,387	436	1,119	3,559	804	12,305	3,691	5,692	9,243	18,626	30,931
Repairs and maintenance	62,901	1,500	541,339	269	-	606,009	157	-	-	157	606,166
Equipment and exhibit rental	65,469	5,102	747,298	695	-	818,564	2,724	-	14,039	16,763	835,327
Signage	-	(109)	29,687	-	-	29,578	-	-	16,607	16,607	46,185
Dues and subscriptions	57,022	-	37,265	820	-	95,107	15,436	5,625	22,245	43,306	138,413
Office expense	120	108	3,463	-	-	3,691	347,324	-	5	347,329	351,020
Professional fees	60,707	1,125	598,901	16,932	182,553	860,218	322,180	60,000	182,553	564,733	1,424,951
Printing and binding	1,445	1,950	79,096	24,522	-	107,013	2,397	16,235	306,167	324,799	431,812
Uniforms	33,068	8,431	57,325	12,309	-	111,133	37,354	6,314	3,141	46,809	157,942
Vet care	112,444	-	-	-	-	112,444	-	-	-	-	112,444
Donor cultivation and outreach	-	-	-	10,100	-	10,100	-	62,868	25	62,893	72,993
IT hardware and software	5,539	2,170	124,850	1,521	-	134,080	39,214	17,660	11,168	68,042	202,122
Total before interest and depreciation	5,427,184	1,509,763	8,463,617	1,144,339	407,569	16,952,472	2,041,244	597,419	2,628,367	5,267,030	22,219,502
Interest	-	-	-	-	-	-	144,299	-	-	144,299	144,299
Depreciation	991,242	260,674	1,159,852	104,807	-	2,516,575	15,959	358	1,988	18,305	2,534,880
Total	\$ 6,418,426	1,770,437	9,623,469	1,249,146	407,569	19,469,047	2,201,502	597,777	2,630,355	5,429,634	24,898,681

See accompanying independent auditor's report and notes to combined financial statements.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Notes to Combined Financial Statements

September 30, 2018 and 2017

(1) Description of the Organization, Nature of Operations and Principles of Combination

The combined financial statements are comprised of the accounts of the Lowry Park Zoological Society of Tampa, Inc., the Lowry Park Zoo Endowment Foundation, Inc. and the Lowry Park Zoo Endowment Foundation Holdings, LLC, a wholly owned subsidiary of the Lowry Park Zoo Endowment Foundation, Inc. (collectively the “Zoo”). All significant inter-organizational transactions have been eliminated in the combination.

Lowry Park Zoological Society of Tampa, Inc. (the “Society”) operates Tampa’s Lowry Park Zoo under an operating agreement with the City of Tampa, Florida. The mission of the corporation is to rescue, rehabilitate and care for animals; create exceptional personalized experiences that connect people with wildlife and each other in fun, immersive ways by operating Tampa’s Lowry Park Zoo, a zoological garden that acquires, breeds and exhibits collections of wild animals by promoting wildlife and habitat education and conservation throughout the world, and by serving as a resource for its community regarding conservation and environmental matters affecting animals and habitats in the state of Florida and throughout the world. The purpose of the Society is to assist the rehabilitation, expansion, continuing operation, management and maintenance of Tampa’s Lowry Park Zoo for use by the general public for charitable, educational and other endeavors that enhance the culture and quality of life of the Tampa Bay area.

The Lowry Park Zoo Endowment Foundation, Inc. (the “Foundation”) was organized October 29, 1993 by the Society for the purpose of creating and managing endowment gifts and related assets of the Society. The sole member of the Foundation is the Society.

In July 2013, the Foundation formed Lowry Park Zoo Endowment Foundation Holdings, LLC (Foundation, LLC) for the purpose of managing and liquidating contributions or bequests of real property. The Foundation, LLC is a wholly owned subsidiary of the Foundation.

The Zoo leases from the City of Tampa, Florida the land and related infrastructure on which the Zoo is constructed. In March 2011, the lease was expanded to approximately 63 acres of land. The lease, due to expire in the year 2087, requires annual payments of \$100 and allows the Zoo to use and operate the premises as a zoological garden for the enjoyment and benefit of the public. The value is not readily determinable, and therefore has not been recorded.

The Zoo receives funding from the City of Tampa for operating support and capital improvements and from Hillsborough County for operating support.

The consolidated financial statements of the Foundation as of and for the years ended June 30, 2018 and 2017 have been included in these combined financial statements. Due to the fact that the Society and Foundation have different fiscal year-ends, certain amounts were adjusted as part of the elimination of amounts to properly eliminate inter-organizational transactions. Management believes that there have been no other intervening events that materially affect the financial position, changes in net assets, or cash flows.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(1) Description of the Organization, Nature of Operations and Principles of Combination - Continued

The following table shows the effects of the adjustment on the combined financial statements as of and for the years ended September 30, 2018 and 2017:

		2018	2017
Cash and cash equivalents	\$	2,316	43,639
Notes receivable from affiliate		-	(53,822)
Net assets, beginning of year		(10,183)	2,920
Interest income		12,499	10,183
Payments to affiliate		-	23,286

(2) Significant Accounting Policies

(a) Basis of Accounting

The Zoo follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities* (ASC 958). The Zoo is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets consist of net assets that are not subject to donor-imposed stipulations, including contributions that have been designated by the Board of Directors.

Temporarily restricted net assets consist of net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Zoo or the passage of time. When a restriction is met or expires, or a distribution is received from a trust for unrestricted purposes, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that they be maintained permanently by the Zoo. Generally, the donors of these assets permit the Zoo to use all or part of the income earned on any related investments for general or specific purposes.

(b) Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(2) Significant Accounting Policies - Continued

(c) Liquidity

Assets are presented in the accompanying combined statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

(d) Cash and Cash Equivalents

The Zoo considers cash and money market accounts of security brokers and money market reserve funds that are managed by the trust department of a commercial bank that serves the Zoo to be cash equivalents, unless restricted by a donor or by contract for long-term purposes. The cash equivalents are subject to immediate withdrawal and are not insured deposits.

(e) Accounts Receivable

Accounts receivable represent amounts owed from various third parties. None of the accounts receivable at September 30, 2018 and 2017 were deemed to be uncollectible. Therefore, no provision for uncollectible amounts has been made in the accompanying combined financial statements.

(f) Pledges Receivable

Pledges receivable represent unconditional promises to give by donors and are reflected in the combined financial statements at their net realizable value (see Note 3).

Management analyzes the collectability of pledges receivable and records a valuation allowance as considered necessary.

(g) Inventories

Inventories consist of merchandise held for sale by the Zoo's stores and food for animals and are stated at the lower of cost (first-in, first-out method) or net realizable value.

(h) Investments

Investments are reported at fair value based on quoted market prices with realized and unrealized gains and losses recognized in the combined statements of activities. Contributions received in the form of marketable securities are recorded at the fair value of the security on the date of the contribution.

(i) Property and Equipment

Property and equipment are stated at cost, if purchased, or at estimated fair value at date of receipt, if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 3 to 40 years. The Zoo follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(2) Significant Accounting Policies - Continued

(j) Impairment of Long-Lived Assets

In accordance with ASC 360, *Property, Plant, and Equipment*, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated, undiscounted future cash flows expected to be generated from the use and eventual disposition of the asset, excluding interest. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the combined statements of financial position and reported at the lower of carrying amount or fair value, less costs to sell, and are no longer depreciated.

During the year ended September 30, 2017, the Zoo abandoned or demolished certain long-lived assets. As a result, a loss of approximately \$400,000 was recognized and is included in other expense and losses in the accompanying combined statements of activities for the year ending September 30, 2017.

In addition to consideration of impairment upon events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the revised remaining lives.

(k) Advertising

The Zoo's policy is to expense advertising costs as incurred. Advertising costs were approximately \$1,603,000 and \$1,720,000 during the years ended September 30, 2018 and 2017, respectively.

(l) Grant Revenues

Revenues from federal, state, local and corporate grants and contracts are recorded based upon terms of the grant agreement. Generally, the federal and state grants are on a cost-reimbursement method and provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred. The local and corporate grants are recorded when awarded, as they are normally non-exchange type transactions. Revenues are subject to audit by the grantor, and if the examination results in a disallowance of any expenditure, repayment could be required. Management believes that any disallowances would not have a material effect on the September 30, 2018 and 2017 combined financial statements.

(m) Admissions Revenue

Admissions revenue is shown net of discounts and includes revenue from one-day admission tickets, pay for a day come back all year tickets (ZoooperPass), and annual pass memberships. Revenue from one-day admission is earned and recognized at the time of sale. Revenue from ZoooperPass and annual pass sales is deferred and recognized over the term of the zoo pass period (see Note 2(o)).

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(2) Significant Accounting Policies - Continued

(n) Gifts and Contributions

Gifts and contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts received that are designated for future periods or are restricted by the donor for specific purposes or in perpetuity are reported as temporarily restricted or permanently restricted support.

Gifts to the Foundation received from solicitations undertaken jointly with the Society are received with donors' restrictions. Unless otherwise designated by donors, earnings from gifts are available for and limited to distribution to the Society for its unrestricted use. The net earnings of certain named funds within the Foundation are distributed to the Society subject to restrictions on their use for specific program services. Realized and unrealized gains and losses from permanently restricted funds of the Foundation may be temporarily restricted based on donors' specifications and are available to fund distributions to the Society.

(o) Deferred Revenue

Deferred revenue is generally comprised of annual pass and ZooperPass revenue. Annual pass revenue is recognized ratably over the zoo pass period, generally one year. ZooperPass revenue is recognized 85% at the time of the sale and the remaining 15% is recognized on a declining basis over the ZooperPass period, which ranges from 3 to 13 months.

(p) Concentration of Credit Risk

Financial instruments that potentially subject the Zoo to concentrations of credit risk consist principally of cash and cash equivalents and accounts and pledges receivable. The Zoo places its cash and deposits with high-quality, credit-worthy financial institutions.

Three donors accounted for approximately 59% of pledges receivable at September 30, 2018 and two donors accounted for approximately 73% of pledges receivable at September 30, 2017. Accounts receivable are comprised of a variety of customers in various industries. Management does not believe that concentrations exist with respect to accounts receivable.

(q) Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(r) Animal Collections

Animals purchased and donated are not included in the combined statements of financial position. The cost of animals purchased is included as a part of animal purchases and conservation, a program service expense.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(2) Significant Accounting Policies - Continued

(s) Cash Restricted for Long-Term Use

Cash restricted for long-term use consists of amounts restricted by the donor or grantor for specific programs and campaign expenses.

(t) Income Tax Status

Income taxes are not provided for in the combined financial statements since the Zoo is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Zoo has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

As described in Note 1, the Foundation is the sole member of Foundation, LLC. Foundation, LLC is an entity that is disregarded from its sole member for income tax purposes, and as such, the assets, liabilities and operations of the Foundation, LLC are included directly with the Foundation for income tax purposes. Additionally, as described in Note 5, the Foundation, LLC is a 25% member in KML Properties, LLC (KML, LLC). KML, LLC is an entity treated as a partnership for income tax purposes, where income taxes are the responsibilities of its members. Neither the operations of Foundation, LLC nor the operations attributable to the 25% member interest in KML, LLC are subject to federal or state income taxes, due to the Foundation's status under Internal Revenue Code Section 501(c)(3). Accordingly, the Foundation does not include a provision for federal or state income taxes.

The Zoo follows ASC 740, *Income Taxes*. A component of this topic prescribes a recognition and measurement standard for uncertain tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Zoo's policy is to recognize interest and penalties associated with tax positions under this standard as a component of income tax expense, and none were recognized since there was no material impact of the application of this standard for the years ended September 30, 2018 and 2017. The Zoo's information returns are open to IRS examination for the 2014 tax year ended September 30, 2015 and all subsequent tax years.

(u) Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)* (ASU 2016-14). This standard simplifies current reporting requirements for not-for-profit entities. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. In the initial year of application, not-for-profit entities are required to disclose the nature of any reclassifications or restatements resulting from the adoption and their effect, if any, on the change in the net asset classes for each year presented. The requirements must be applied retrospectively; however, entities can elect not to provide certain comparative disclosures in the year of adoption. The Zoo is currently evaluating the full effect that the adoption of this standard will have on the Zoo's combined financial statements.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(3) Pledges Receivable

Pledges receivable at September 30, 2018 were as follows:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
Total unconditional pledges	\$ 3,567,198	-	3,567,198
Less allowance for uncollectible pledges	(1,154,960)	-	(1,154,960)
Discount for present value (3.0%)	<u>(113,268)</u>	<u>-</u>	<u>(113,268)</u>
Net pledges receivable	<u>\$ 2,298,970</u>	<u>-</u>	<u>2,298,970</u>

Pledges receivable at September 30, 2017 were as follows:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
Total unconditional pledges	\$ 3,484,260	-	3,484,260
Less allowance for uncollectible pledges	(390,813)	-	(390,813)
Discount for present value (3.0%)	<u>(184,305)</u>	<u>-</u>	<u>(184,305)</u>
Net pledges receivable	<u>\$ 2,909,142</u>	<u>-</u>	<u>2,909,142</u>

Maturities of pledges receivable at September 30, 2018 are as follows:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
Gross amounts due:			
Within one year	\$ 723,798	-	723,798
One to five years	1,715,400	-	1,715,400
More than five years	<u>1,128,000</u>	<u>-</u>	<u>1,128,000</u>
	<u>\$ 3,567,198</u>	<u>-</u>	<u>3,567,198</u>

(4) Beneficial Interest in Charitable Lead Trust

The Foundation had an interest in a charitable lead trust (Trust). The Foundation had a ten-year term interest that expired November 2016, in an annual distribution of five percent (5%) of the fair value of the trust's assets valued on January 1 of each year. Prior to expiration, the Foundation had calculated its value in this Trust by assuming a growth rate of 5.5% annually. The Foundation received a final distribution of \$110,814 during the year ended June 30, 2017. The donor had specified that distributions to the Foundation were intended to increase the corpus of the endowment fund.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(5) Interest in KML Properties, LLC

The Foundation had a one-quarter interest in a charitable trust foundation (CTF), established by the trustees of a decedent's estate, of which the Foundation was a named beneficiary. In accordance with the decedent's estate, the CTF was terminated during the year ended June 30, 2014. KML, LLC received the real property assets of the CTF, as part of its termination, for the purpose of holding the real property assets until such time as they are sold. The Foundation received a 25% membership interest in KML, LLC, which is fully held by Foundation, LLC at September 30, 2018 and 2017. In accordance with generally accepted accounting principles in the United States of America, the Foundation accounts for its investment in KML, LLC by the equity method. The Foundation shares in the earnings or losses and records its share of such earnings (losses) in the combined statements of activities as "Change in interest in KML Properties, LLC" and the carrying value of the Foundation's investment in unconsolidated affiliates is recorded in the Combined Statements of Financial Position as "Interest in KML Properties, LLC." As of September 30, 2018 and 2017, the largest assets held by KML, LLC are fixed assets, which are valued at historical cost, net of accumulated depreciation.

(6) Investments

Investment classifications are as follows at September 30, 2018:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
Common stock	\$ -	1,458,366	1,458,366
Mutual funds	885,124	16,803,298	17,688,422
Common collective trusts	-	350,809	350,809
	<u>\$ 885,124</u>	<u>18,612,473</u>	<u>19,497,597</u>

Investment classifications are as follows at September 30, 2017:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
Common stock	\$ -	1,637,762	1,637,762
Mutual funds	892,658	15,595,740	16,488,398
Common collective trusts	-	514,963	514,963
	<u>\$ 892,658</u>	<u>17,748,465</u>	<u>18,641,123</u>

The various investments in stocks, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the combined financial statements of the Zoo. The Zoo's investments in common stock, mutual funds or other investments are not concentrated in a single entity or in a few entities, nor are there any specific industry concentrations.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(6) Investments - Continued

Investment return for the year ended September 30, 2018 is summarized as follows:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
Interest and dividends	\$ -	527,940	527,940
Realized and unrealized gains (losses)	(7,926)	843,836	835,910
Investment fees	-	(51,513)	(51,513)
Total	<u>\$ (7,926)</u>	<u>1,320,263</u>	<u>1,312,337</u>

Investment return for the year ended September 30, 2017 is summarized as follows:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
Interest and dividends	\$ -	404,721	404,721
Realized and unrealized gains (losses)	(64,011)	2,119,583	2,055,572
Investment fees	-	(47,682)	(47,682)
Total	<u>\$ (64,011)</u>	<u>2,476,622</u>	<u>2,412,611</u>

Included in the Society's investments is \$600,000 of State of Florida Cultural Endowment Funds at September 30, 2018 and 2017.

(7) Property and Equipment

Property and equipment consist of the following at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 9,017,894	9,017,894
Leasehold improvements	55,394,538	50,006,203
Machinery and equipment	5,486,840	5,518,126
Furniture and fixtures	342,031	357,675
Vehicles	348,899	555,411
Construction in progress	<u>3,613,918</u>	<u>1,845,866</u>
	74,204,120	67,301,175
Less accumulated depreciation	<u>(33,999,048)</u>	<u>(32,510,607)</u>
	<u>\$ 40,205,072</u>	<u>34,790,568</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(8) Line of Credit

The Society entered into a \$1,500,000 line of credit with a financial institution in September 2012. The line is secured by substantially all of the assets of the Society including existing and future pledges. Interest is payable monthly at LIBOR plus 1.95% (4.06% at September 30, 2018). In October 2015, the Society renewed its line of credit agreement and increased the amount available for borrowings to \$2,500,000. The line of credit was due July 31, 2016 and is subject to annual renewals. In September 2016, the line of credit was renewed to extend the maturity to March 31, 2018. The amount outstanding was \$2,100,000 and \$2,200,000 at September 30, 2018 and 2017, respectively. The Zoo is subject to certain financial covenants, with which it was in compliance or had obtained waivers at September 30, 2018.

Effective November 2, 2017, the Society entered into an agreement for a new line of credit for an amount up to \$4,000,000. This is an open end revolving line of credit for the first year of the note. This note will then convert to a term loan note. The line of credit will bear interest equal to 1 Month LIBOR plus 2.84%. (4.95% at September 30, 2018). Interest will accrue on an actual/360 basis, from the date of disbursement on the unpaid balance until the note is paid in full. All outstanding principal and accrued interest will be due and payable in full on November 1, 2023. The outstanding balance on the line of credit at September 30, 2018 was \$2,704,815. The Zoo is subject to certain financial covenants, with which it was in compliance or had obtained waivers at September 30, 2018.

(9) Long-Term Debt

(a) Long-Term Debt

The Zoo's long-term debt obligations at September 30, 2018 and 2017 are as follows:

	2018	2017
Note payable to financial institution; payable in equal annual installments of principal and interest of \$39,829; payments are in advance; note bears interest at a rate of 5.95%; matures in September 2020.	\$ 73,073	106,562
Note payable to financial institution; interest payable monthly at 73% of LIBOR plus 2.84% (3.62% at September 30, 2018) through July 2015; beginning August 2015, level payments of principal and interest are based on a twenty year amortization and are payable monthly; secured by all business assets, matures February 2034	2,134,948	2,358,967
	\$ 2,208,021	2,465,529

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(9) Long-Term Debt - Continued

(a) Long-Term Debt - Continued

Maturities of long-term debt at September 30, 2018 are as follows:

<u>Year Ending September 30,</u>		
2019	\$	173,221
2020		175,330
2021		137,739
2022		137,739
2023		137,739
Thereafter		<u>1,446,253</u>
	\$	<u><u>2,208,021</u></u>

(b) Notes Payable to Affiliate

On June 15, 2013, a promissory note was entered into between the Society (Borrower) and the Foundation (Lender) for \$2,372,000. The proceeds of this note were used by the Society to extinguish its open notes payable balances. The note bears interest at 2% per annum through July 15, 2016 and at a variable rate of 2.46% thereafter. Payments were interest only through July 15, 2016, at which time monthly principal payments of \$11,627 plus interest are payable through maturity of June 15, 2033. On November 1, 2017, the promissory note was amended to suspend principal payments until September 2019 and extended the maturity date until May 15, 2035.

On February 20, 2015, a second promissory note was entered into between the Society (Borrower) and the Foundation (Lender) for \$200,000. The proceeds of this note were used by the Society to make capital improvements. The note bears interest at 5% per annum. Payments were interest only through May 15, 2016, at which time monthly principal payments of \$6,499 plus interest were payable through maturity of February 15, 2018.

On May 9, 2018, a revolving loan was entered into between the Society (borrower) and the Foundation (lender) for a maximum, aggregate, outstanding principal amount of \$1,000,000. Interest shall accrue daily on the outstanding principal amount at 2.72% per annum through maturity of May 8, 2023.

The outstanding balances of these notes are eliminated in combination.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30, 2018:

	<u>Society</u>	<u>Foundation</u>	<u>Total</u>
Pledges receivable	\$ 2,243,970	-	2,243,970
Investments restricted for specific programs	163,500	-	163,500
Contributions and grants for long-term use	482,792	-	482,792
Capital contributions for long-term use	406,161	-	406,161
Undistributed gains restricted for specific programs	-	1,202,246	1,202,246
	<u>\$ 3,296,423</u>	<u>1,202,246</u>	<u>4,498,669</u>

Temporarily restricted net assets consist of the following at September 30, 2017:

	<u>Society</u>	<u>Foundation</u>	<u>Total</u>
Pledges receivable	\$ 2,909,142	-	2,909,142
Investments restricted for specific programs	163,500	-	163,500
Contributions and grants for long-term use	156,826	-	156,826
Capital contributions for long-term use	350,279	-	350,279
Undistributed gains restricted for specific programs	-	1,065,253	1,065,253
	<u>\$ 3,579,747</u>	<u>1,065,253</u>	<u>4,645,000</u>

(11) Endowment

The Foundation's endowment consists of individual named funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The Society's endowment consists of funds received from the State of Florida and related matching gifts. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

ASC 958-205, *Reporting Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds of a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In July 2011, the Legislature of the State of Florida enacted the Florida Uniform Prudent Management of Institutional Funds Act (FLUPMIFA), which became effective July 1, 2012. There were no changes to the Foundation's financial position as a result of enacting the legislation.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(11) Endowment - Continued

Interpretation of Relevant Law - Continued

The Board of Directors of the Foundation has interpreted FLUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by FLUPMIFA. In accordance with FLUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The purposes of the Foundation
2. The intent of the donors to the endowment fund
3. The terms of the applicable instrument
4. The long-term and short-term needs of the Foundation in carrying out its purposes
5. The general economic conditions
6. The possible effect of inflation or deflation
7. The other resources of the Foundation
8. Perpetuation of the endowment

Endowment net asset composition by type of fund as of September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	1,202,246	5,979,453	7,181,699
Board-designated endowment funds	14,119,895	-	-	14,119,895
Total funds	<u>\$ 14,119,895</u>	<u>1,202,246</u>	<u>5,979,453</u>	<u>21,301,594</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
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Notes to Combined Financial Statements - Continued

(11) Endowment - Continued

Interpretation of Relevant Law - Continued

Changes in endowment net assets for the year ended September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 13,504,537	1,065,253	5,979,453	20,549,243
Contributions	4,196	-	-	4,196
Change in beneficial interest	82,079	-	-	82,079
Distributions from KML Properties, LLC	275,000	-	-	275,000
Investment income, net	404,886	71,541	-	476,427
Net appreciation	717,129	126,707	-	843,836
Net assets released from restrictions	-	(61,255)	-	(61,255)
Net assets undesignated	(867,932)	-	-	(867,932)
Endowment net assets at end of year	<u>\$ 14,119,895</u>	<u>1,202,246</u>	<u>5,979,453</u>	<u>21,301,594</u>

Endowment net asset composition by type of fund as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	1,065,253	5,979,453	7,044,706
Board-designated endowment funds	13,504,537	-	-	13,504,537
Total funds	<u>\$ 13,504,537</u>	<u>1,065,253</u>	<u>5,979,453</u>	<u>20,549,243</u>

Changes in endowment net assets for the year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 12,235,214	726,910	5,979,453	18,941,577
Contributions	2,064	-	-	2,064
Change in beneficial interest	1,861	-	-	1,861
Distributions from KML Properties, LLC	50,000	-	-	50,000
Investment income, net	301,543	55,496	-	357,039
Net appreciation	1,790,128	329,455	-	2,119,583
Net assets released from restrictions	-	(46,608)	-	(46,608)
Net assets undesignated	(876,273)	-	-	(876,273)
Endowment net assets at end of year	<u>\$ 13,504,537</u>	<u>1,065,253</u>	<u>5,979,453</u>	<u>20,549,243</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Notes to Combined Financial Statements - Continued

(11) Endowment - Continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the investment objective is to generate a total rate of return, net of all investment management costs and fees, from all authorized investments that is equal to or greater than returns of the appropriate indices identified for the calculation of an overall performance return comparison.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of distributing up to 5% of the three year average of prior fiscal year-end market values of investments, in general, as approved by the Board of Directors. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to conservatively appreciate capital to provide additional funding for the Society. The Foundation's goal is to provide funding for the operation and support of the Society.

(12) Retirement Plan

The Society sponsors a non-contributory retirement plan that covers all employees with six months of eligible service who have attained age 20-1/2. No contributions were made during the year ended September 30, 2018 and 2017.

The Society also sponsors a contributory tax deferred savings plan that covers all full-time employees.

(13) Donated Materials and Services

The Zoo is the recipient of donated services from a variety of unpaid volunteers assisting them in various capacities. No amounts have been recognized in the accompanying combined statements of activities because the criteria for recognition of such volunteer efforts have not been satisfied. In addition to volunteers, from time to time, the Zoo receives various goods and professional services from unrelated parties, free of charge or at significant discounts. Such donated materials, services, or equipment, when received, are reflected in the combined financial statements at their estimated fair values at the date of receipt.

LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
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Notes to Combined Financial Statements - Continued

(13) Donated Materials and Services - Continued

In-kind donated services and materials were approximately \$221,200 and \$89,400, respectively, for the year ended September 30, 2018. In-kind donated services and materials were approximately \$199,900 and \$121,200 respectively, for the year ended September 30, 2017.

(14) Food and Beverage Agreement

Effective March 29, 2012, the Society entered into an agreement with Ovation Food Services to grant Ovation the exclusive rights to manage and operate the food and beverage concessions services and catering services at Tampa's Lowry Park Zoo. The term of the agreement is 5 years with a 5-year extension at the option of the Society. As a result of this agreement, the Society is reporting food and beverage revenue, cost of sales, and related operating expenses, net in the accompanying combined statements of activities.

(15) Commitments

The Zoo leases certain equipment under non-cancelable operating leases. Approximate minimum lease payments under such operating leases that expire at various dates through 2022 are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 82,000
2020	25,000
2021	24,000
2022	<u>6,000</u>
	<u>\$ 137,000</u>

Equipment rental expense for the Zoo was approximately \$241,000 and \$313,000 for the years ended September 30, 2018 and 2017, respectively.

(16) Related-Party Transactions

From time to time, the Society enters into minor transactions with various trustees. Additionally, a trustee of the Society is a managing director of a construction company that provided services to the Society totaling approximately \$17,000 and \$144,000 during the years ended September 30, 2018 and 2017, respectively. In September 2013, the Society entered into a contract with this construction company for approximately \$7,500,000 related to the construction of the new animal hospital and commissary. Portions of contributions receivable at September 30, 2018 and 2017 and received for the years then ended are commitments made by various trustees.

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
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Notes to Combined Financial Statements - Continued

(17) Fair Value of Financial Instruments

ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value and expands disclosures about fair value measurement. Management uses the fair value hierarchy, which gives the highest priority to quoted prices in active markets. The fair value of financial instruments is estimated based on market trading information, where available. Absent published market values for an instrument or other assets, management uses observable market data to arrive at its estimates of fair value. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data;

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The fair value of the Zoo's investments and interests in charitable trusts at September 30, 2018 was as follows:

<u>Description</u>	<u>Assets Measured at Fair Value at September 30, 2018</u>	<u>Fair Value Measurements at September 30, 2018 Using</u>		
		<u>Observable Inputs (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock:				
Large blend	\$ 1,458,366	1,458,366	-	-
Mutual funds:				
Fixed income	885,124	-	885,124	-
Large growth	340,151	-	340,151	-
Large blend	2,723,623	-	2,723,623	-
Large value	239,312	-	239,312	-
International	5,420,649	-	5,420,649	-
All cap	722,146	-	722,146	-
Small/mid blend	3,591,964	-	3,591,964	-
Limited	3,765,453	-	3,765,453	-
	<u>\$ 19,146,788</u>	<u>1,458,366</u>	<u>17,688,422</u>	<u>-</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Notes to Combined Financial Statements - Continued

(17) Fair Value of Financial Instruments - Continued

The fair value of the Zoo's investments and interests in charitable trusts at September 30, 2017 was as follows:

<u>Description</u>	<u>Assets Measured at Fair Value at September 30, 2017</u>	<u>Fair Value Measurements at September 30, 2017 Using</u>		
		<u>Observable Inputs (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock:				
Large blend	\$ 1,637,762	1,637,762	-	-
Mutual funds:				
Fixed income	892,658	-	892,658	-
Large growth	678,701	-	678,701	-
Large blend	2,209,754	-	2,209,754	-
International	5,590,646	-	5,590,646	-
All cap	894,569	-	894,569	-
Small/mid blend	2,947,978	-	2,947,978	-
Limited	3,274,092	-	3,274,092	-
	<u>\$ 18,126,160</u>	<u>1,637,762</u>	<u>16,488,398</u>	<u>-</u>

Stock Investments

Included in Level 1 are domestic and international equities. Level 1 stock investments are valued at quoted prices for identical assets in active markets.

Mutual Funds

Included in Level 2 are mutual funds invested in corporate and government bonds and domestic and international equities valued on quoted prices for identical assets in markets that may not be active.

In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value (or its equivalent) practical expedient have not been classified in the fair value hierarchy above. The following table reconciles the Zoo's investments at fair value, within the fair value hierarchy, to total investments, as reported in the accompanying combined statements of financial position, as of September 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Investments at fair value within the fair value hierarchy	\$ 19,146,788	18,126,160
Common collective trusts measured at NAV	350,809	514,963
Total investments at fair value	<u>\$ 19,497,597</u>	<u>18,641,123</u>
Beneficial interest in assets held by the Community Foundation measured at NAV	<u>\$ 25,912</u>	<u>24,308</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
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Notes to Combined Financial Statements - Continued

(17) Fair Value of Financial Instruments - Continued

Common collective trusts are public and private investment vehicles valued using the unit price provided by the administrator of the fund. The unit price is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding. The Foundation's beneficial interest in assets held by the Community Foundation is valued based on the valuation of the underlying assets of the Community Foundation in which the Foundation has a beneficial interest.

The following table sets forth a summary of changes in fair value of assets using significant unobservable inputs (Level 3) for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ -	110,814
Change in fair value due to change in available market data and certain assumptions	-	-
Distributions	<u>-</u>	<u>(110,814)</u>
Balance at end of year	<u>\$ -</u>	<u>-</u>

There have been no transfers into or out of the Level 3 category and there have been no significant transfers between the Level 1 and 2 categories.

(18) Legal Matters

From time to time, the Zoo is involved in various legal matters in the ordinary course of operations. Management does not anticipate that the resolution of any legal matter outstanding at September 30, 2018 will have a material adverse effect on the combined financial statements.

(19) Subsequent Events

The Zoo has evaluated events and transactions for potential recognition or disclosure in the combined financial statements through January 25, 2019, the date the combined financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combining Statement of Financial Position

September 30, 2018

	Lowry Park Zoological Society of Tampa, Inc.	Lowry Park Zoo Endowment Foundation, Inc.	Eliminations	Combined Total
Assets				
Cash and cash equivalents	\$ 2,176,668	94,893	2,316	2,273,877
Accounts and other receivables	1,029,699	-	-	1,029,699
Inventories	266,582	-	-	266,582
Prepaid expenses	966,821	-	-	966,821
Pledges receivable, net	2,298,970	-	-	2,298,970
Investments	885,124	18,612,473	-	19,497,597
Interest in KML Properties, LLC	-	405,422	-	405,422
Beneficial interest in assets held by the Community Foundation	-	25,912	-	25,912
Notes receivable from affiliate	-	2,174,333	(2,174,333)	-
Property and equipment, net	40,205,072	-	-	40,205,072
Cash restricted for long-term use	888,953	-	-	888,953
	<u>\$ 48,717,889</u>	<u>21,313,033</u>	<u>(2,172,017)</u>	<u>67,858,905</u>
Liabilities and Net Assets				
Liabilities:				
Line of credit	\$ 4,804,815	-	-	4,804,815
Accounts payable and accrued expenses	3,180,309	-	-	3,180,309
Deferred revenue	1,541,534	-	-	1,541,534
Long-term debt	2,208,021	-	-	2,208,021
Notes payable to affiliate	2,174,333	-	(2,174,333)	-
	<u>13,909,012</u>	<u>-</u>	<u>(2,174,333)</u>	<u>11,734,679</u>
Net assets:				
Unrestricted:				
Operations deficit	(4,910,264)	325,914	(1,886,492)	(6,470,842)
Property and equipment, net of related debt	35,822,718	-	2,174,333	37,997,051
Board-designated endowment funds	-	14,346,211	(226,316)	14,119,895
	<u>30,912,454</u>	<u>14,672,125</u>	<u>61,525</u>	<u>45,646,104</u>
Temporarily restricted	3,296,423	1,261,455	(59,209)	4,498,669
Permanently restricted	600,000	5,379,453	-	5,979,453
	<u>34,808,877</u>	<u>21,313,033</u>	<u>2,316</u>	<u>56,124,226</u>
Total net assets	<u>\$ 48,717,889</u>	<u>21,313,033</u>	<u>(2,172,017)</u>	<u>67,858,905</u>
Total liabilities and net assets	<u>\$ 48,717,889</u>	<u>21,313,033</u>	<u>(2,172,017)</u>	<u>67,858,905</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combining Statement of Financial Position

September 30, 2017

	Lowry Park Zoological Society of Tampa, Inc.	Lowry Park Zoo Endowment Foundation, Inc.	Eliminations	Combined Total
Assets				
Cash and cash equivalents	\$ 2,121,239	104,201	43,639	2,269,079
Accounts and other receivables	467,156	-	-	467,156
Inventories	246,018	-	-	246,018
Prepaid expenses	725,580	-	-	725,580
Pledges receivable, net	2,909,142	-	-	2,909,142
Investments	892,658	17,748,465	-	18,641,123
Interest in KML Properties, LLC	-	600,915	-	600,915
Beneficial interest in assets held by the Community Foundation	-	24,308	-	24,308
Notes receivable from affiliate	-	2,283,505	(2,283,505)	-
Property and equipment, net	34,790,568	-	-	34,790,568
Cash restricted for long-term use	507,105	-	-	507,105
	<u>\$ 42,659,466</u>	<u>20,761,394</u>	<u>(2,239,866)</u>	<u>61,180,994</u>
Liabilities and Net Assets				
Liabilities:				
Line of credit	\$ 2,200,000	-	-	2,200,000
Accounts payable and accrued expenses	2,693,380	-	-	2,693,380
Deferred revenue	1,510,114	-	-	1,510,114
Long-term debt	2,465,529	-	-	2,465,529
Notes payable to affiliate	2,229,683	-	(2,229,683)	-
	<u>11,098,706</u>	<u>-</u>	<u>(2,229,683)</u>	<u>8,869,023</u>
Net assets:				
Unrestricted:				
Operations deficit	(2,714,343)	600,915	(2,082,452)	(4,195,880)
Property and equipment, net of related debt	30,095,356	-	2,283,505	32,378,861
Board-designated endowment funds	-	13,667,719	(163,182)	13,504,537
	<u>27,381,013</u>	<u>14,268,634</u>	<u>37,871</u>	<u>41,687,518</u>
Temporarily restricted	3,579,747	1,113,307	(48,054)	4,645,000
Permanently restricted	600,000	5,379,453	-	5,979,453
	<u>31,560,760</u>	<u>20,761,394</u>	<u>(10,183)</u>	<u>52,311,971</u>
Total net assets	<u>\$ 42,659,466</u>	<u>20,761,394</u>	<u>(2,239,866)</u>	<u>61,180,994</u>
Total liabilities and net assets	<u>\$ 42,659,466</u>	<u>20,761,394</u>	<u>(2,239,866)</u>	<u>61,180,994</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combining Statement of Activities

For the Year Ended September 30, 2018

	Lowry Park Zoological Society of Tampa, Inc.	Lowry Park Zoo Endowment Foundation, Inc.	Eliminations	Combined Total
Revenues and support:				
Admissions charges	\$ 12,623,290	-	-	12,623,290
Restaurant and gift shop sales	3,816,870	-	-	3,816,870
Concessions, net	684,010	-	-	684,010
Fundraising and special events - net of direct expense of \$439,290	315,994	-	-	315,994
Education classes and programs	943,349	-	-	943,349
Contributions	3,399,198	4,196	(846,327)	2,557,067
Grants	5,204,471	-	-	5,204,471
Investment return, net	(7,926)	1,320,263	-	1,312,337
BP settlement award	-	-	-	-
Other revenues	408,362	-	-	408,362
Total revenues and support	27,387,618	1,324,459	(846,327)	27,865,750
Operating expenses:				
Program services:				
Animal collections and care	4,998,403	-	-	4,998,403
Merchandise and selling operations	1,474,407	-	-	1,474,407
Park operations and maintenance	7,301,291	-	-	7,301,291
Educational activities	1,129,958	-	-	1,129,958
Public policy, media and community issues	432,501	-	-	432,501
Payments to affiliate	-	846,327	(846,327)	-
Total program services	15,336,560	846,327	(846,327)	15,336,560
Support services:				
General and administrative	2,846,421	22,861	-	2,869,282
Development	548,938	60,000	-	608,938
Marketing and membership activities	2,598,336	-	-	2,598,336
Total support services	5,993,695	82,861	-	6,076,556
Total operating expenses	21,330,255	929,188	(846,327)	21,413,116
Change in net assets before other income (expense)	6,057,363	395,271	-	6,452,634
Other income (expense):				
Change in beneficial interest assets	-	2,572	-	2,572
Change in interest in KML Properties, LLC	-	79,507	-	79,507
Depreciation	(2,506,418)	-	-	(2,506,418)
Interest income - affiliate	-	74,289	(74,289)	-
Interest expense	(302,514)	-	86,788	(215,726)
Other expenses and losses	(314)	-	-	(314)
Change in net assets	3,248,117	551,639	12,499	3,812,255
Net assets at beginning of year	31,560,760	20,761,394	(10,183)	52,311,971
Net assets at end of year	\$ 34,808,877	21,313,033	2,316	56,124,226

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
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Combining Statement of Activities

For the Year Ended September 30, 2017

	Lowry Park Zoological Society of Tampa, Inc.	Lowry Park Zoo Endowment Foundation, Inc.	Eliminations	Combined Total
Revenues and support:				
Admissions charges	\$ 12,456,168	-	-	12,456,168
Restaurant and gift shop sales	3,992,191	-	-	3,992,191
Concessions, net	733,050	-	-	733,050
Fundraising and special events - net of direct expense of \$291,459	293,024	-	-	293,024
Education classes and programs	944,298	-	-	944,298
Contributions	3,681,130	2,064	(860,818)	2,822,376
Grants	2,431,125	-	-	2,431,125
Investment return, net	(64,011)	2,476,622	-	2,412,611
BP settlement award	1,081,375	-	-	1,081,375
Other revenues	229,022	-	-	229,022
	<u>25,777,372</u>	<u>2,478,686</u>	<u>(860,818)</u>	<u>27,395,240</u>
Operating expenses:				
Program services:				
Animal collections and care	5,427,184	-	-	5,427,184
Merchandise and selling operations	1,509,655	-	-	1,509,655
Park operations and maintenance	8,463,725	-	-	8,463,725
Educational activities	1,144,339	-	-	1,144,339
Public policy, media and community issues	407,569	-	-	407,569
Payments to affiliate	-	837,532	(837,532)	-
	<u>16,952,472</u>	<u>837,532</u>	<u>(837,532)</u>	<u>16,952,472</u>
Support services:				
General and administrative	2,015,895	25,348	-	2,041,243
Development	537,419	60,000	-	597,419
Marketing and membership activities	2,628,367	-	-	2,628,367
	<u>5,181,681</u>	<u>85,348</u>	<u>-</u>	<u>5,267,029</u>
	<u>22,134,153</u>	<u>922,880</u>	<u>(837,532)</u>	<u>22,219,501</u>
Change in net assets before other income (expense)	3,643,219	1,555,806	(23,286)	5,175,739
Other income (expense):				
Change in beneficial interest assets	-	1,860	-	1,860
Change in interest in KML Properties, LLC	-	1,410	-	1,410
Depreciation	(2,534,880)	-	-	(2,534,880)
Interest income - affiliate	-	57,380	(57,380)	-
Interest expense	(211,862)	-	67,563	(144,299)
Other income and gains	(400,009)	-	-	(400,009)
	<u>496,468</u>	<u>1,616,456</u>	<u>(13,103)</u>	<u>2,099,821</u>
Change in net assets	496,468	1,616,456	(13,103)	2,099,821
Net assets at beginning of year	31,064,292	19,144,938	2,920	50,212,150
Net assets at end of year	<u>\$ 31,560,760</u>	<u>20,761,394</u>	<u>(10,183)</u>	<u>52,311,971</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combining Statement of Cash Flows

For the Year Ended September 30, 2018

	Lowry Park Zoological Society of Tampa, Inc.	Lowry Park Zoo Endowment Foundation, Inc.	Eliminations	Combined Total
Cash flows from operating activities:				
Change in net assets:	\$ 3,248,117	551,639	12,499	3,812,255
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	2,506,418	-	-	2,506,418
Net realized and unrealized (gains) losses on investments	7,926	(843,836)	-	(835,910)
Net increase in fair value of beneficial interests	-	(2,572)	-	(2,572)
Net increase in KML Properties, LLC interest	-	(79,507)	-	(79,507)
Contributions restricted for investment in long-term assets	(5,642,279)	-	-	(5,642,279)
Changes in operating assets and liabilities:				
Accounts and other receivables	(562,543)	-	-	(562,543)
Inventories	(20,564)	-	-	(20,564)
Prepaid expenses	(241,241)	-	-	(241,241)
Pledges receivable, net	610,172	-	-	610,172
Due to/from affiliate	-	-	-	-
Accounts payable and accrued expenses	(316,472)	-	-	(316,472)
Deferred revenue	31,420	-	-	31,420
Net cash provided (used in) by operating activities	(379,046)	(374,276)	12,499	(740,823)
Cash flows from investing activities:				
Payments received on notes receivable from affiliate	-	109,172	(109,172)	-
Purchase of assets restricted for long-term use	(2,466,004)	-	-	(2,466,004)
Distributions received from KML Properties, LLC	-	275,000	-	275,000
Proceeds from sales of investments	-	3,536,081	-	3,536,081
Purchases of investments	(392)	(3,556,253)	-	(3,556,645)
Purchase of property and equipment	(7,117,521)	-	-	(7,117,521)
Net cash provided by (used in) investing activities	(9,583,917)	364,000	(109,172)	(9,329,089)
Cash flows from financing activities:				
Collection of contributions restricted for investment in long-term assets	7,726,435	-	-	7,726,435
Payments on notes payable to affiliate	(55,350)	-	55,350	-
Net borrowings on lines of credit	2,604,815	-	-	2,604,815
Payments on long-term debt	(257,508)	-	-	(257,508)
Distributions received from beneficial interests	-	968	-	968
Net cash provided by financing activities	10,018,392	968	55,350	10,074,710
Net change in cash and cash equivalents	55,429	(9,308)	(41,323)	4,798
Cash and cash equivalents at beginning of year	2,121,239	104,201	43,639	2,269,079
Cash and cash equivalents at end of year	\$ 2,176,668	94,893	2,316	2,273,877
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$ 302,514	112,526	(74,289)	340,751
Non-cash investing and financing activities:				
Change in accounts payable attributable to purchases of property and equipment	\$ 803,401	-	-	803,401

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Combining Statement of Cash Flows

For the Year Ended September 30, 2017

	Lowry Park Zoological Society of Tampa, Inc.	Lowry Park Zoo Endowment Foundation, Inc.	Eliminations	Combined Total
Cash flows from operating activities:				
Change in net assets:	\$ 496,468	1,616,456	(13,103)	2,099,821
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	2,534,880	-	-	2,534,880
Net realized and unrealized losses (gains) on investments	64,011	(2,119,583)	-	(2,055,572)
Net increase in fair value of beneficial interests	-	(1,861)	-	(1,861)
Net increase in KML Properties, LLC interest	-	(1,410)	-	(1,410)
Loss on disposal of property and equipment	400,056	-	-	400,056
Contributions restricted for investment in long-term assets	(2,546,459)	-	-	(2,546,459)
Changes in operating assets and liabilities:				
Accounts and other receivables	573,416	-	-	573,416
Inventories	(3,865)	-	-	(3,865)
Prepaid expenses	34,174	-	-	34,174
Pledges receivable, net	(1,792,942)	-	-	(1,792,942)
Due to/from affiliate	-	(2,843)	2,843	-
Accounts payable and accrued expenses	(65,381)	(5,000)	-	(70,381)
Deferred revenue	323,410	-	-	323,410
Net cash provided (used in) by operating activities	17,768	(514,241)	(10,260)	(506,733)
Cash flows from investing activities:				
Payments received on notes receivable from affiliate	-	212,966	(212,966)	-
Purchase of assets restricted for long-term use	(304,546)	-	-	(304,546)
Distributions received from KML Properties, LLC	-	50,000	-	50,000
Proceeds from sales of investments	532,921	3,612,781	-	4,145,702
Purchases of investments	(37,387)	(3,516,980)	-	(3,554,367)
Purchase of property and equipment	(2,659,589)	-	-	(2,659,589)
Net cash provided by (used in) investing activities	(2,468,601)	358,767	(212,966)	(2,322,800)
Cash flows from financing activities:				
Collection of contributions restricted for investment in long-term assets	4,218,820	-	114,504	4,333,324
Payments on notes payable to affiliate	(213,888)	-	213,888	-
Net borrowings on line of credit	1,800,000	-	-	1,800,000
Payments on long-term debt	(1,555,630)	-	-	(1,555,630)
Distributions received from beneficial interests	-	111,757	-	111,757
Net cash provided by financing activities	4,249,302	111,757	328,392	4,689,451
Net change in cash and cash equivalents	1,798,469	(43,717)	105,166	1,859,918
Cash and cash equivalents at beginning of year	322,770	147,918	(61,527)	409,161
Cash and cash equivalents at end of year	\$ 2,121,239	104,201	43,639	2,269,079
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$ 211,862	-	(57,380)	154,482
Non-cash investing and financing activities:				
Marketable securities received as a pledge payment	\$ 590,108	-	-	590,108

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Schedule of Expenditures of State Financial Assistance

Year Ended September 30, 2018

<u>Grantor/Program Title</u>	<u>Contract/ Grant Number</u>	<u>State CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Transfers to Subrecipients</u>
Fish and Wildlife Conservation Commission				
Manatee Rehabilitation Reimbursement Program	16150	77.013	\$ 188,665	-
Lowry Park Zoo Manatee Hospital	15142	77.031	<u>2,466,004</u>	<u>-</u>
Subtotal - Fish and Wildlife Conservation Commission			<u>2,654,669</u>	<u>-</u>
Department of State and Secretary of State				
General Program Support (Cultural and Museum Grants)	18.c.ps.170.334	45.061	36,832	-
	19.c.ps.170.187		<u>5,042</u>	<u>-</u>
Subtotal - Department of State and Secretary of State			<u>41,874</u>	<u>-</u>
Total expenditures of state financial assistance			<u>\$ 2,696,543</u>	<u>-</u>

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Notes to Schedule of Expenditures of State Financial Assistance

Year Ended September 30, 2018

(1) Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of Lowry Park Zoological Society of Tampa, Inc. and Lowry Park Zoo Endowment Foundation, Inc. (collectively the "Zoo") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

(2) Contingencies

These State projects are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect the Zoo's continued participation in specific programs. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Zoo expects such amounts, if any, to be immaterial.

INTERNAL CONTROL AND COMPLIANCE



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

The Board of Directors
Lowry Park Zoological Society of Tampa, Inc.:

We have audited, in accordance with 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 combined financial statements of Lowry Park Zoological Society of Tampa, Inc. and Lowry Park Zoo Endowment Foundation, Inc. (collectively the “Zoo”), which comprise the combined statement of financial position as of September 30, 2018, and the related combined statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

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

Purpose of This Report

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

MAYER HOFFMAN MCCANN P.C.

January 25, 2019
Clearwater, Florida



**Independent Auditor’s Report on Compliance for Each Major State Project
and on Internal Control Over Compliance Required by Chapter 10.650,
Rules of the Auditor General**

The Board of Directors
Lowry Park Zoological Society of Tampa, Inc.:

Report on Compliance for Each Major State Project

We have audited Lowry Park Zoological Society of Tampa, Inc.’s and Lowry Park Zoo Endowment Foundation, Inc.’s (collectively the “Zoo”) compliance with the types of compliance requirements described in the *Department of Financial Services’ State Project Compliance Supplement* that could have a direct and material effect on the Zoo’s major state project for the year ended September 30, 2018. The Zoo’s major state project is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State project applicable to its major state project.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Zoo’s major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Zoo’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State project. However, our audit does not provide a legal determination on the Zoo’s compliance.

Opinion on Each Major State Project

In our opinion, the Zoo complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2018.

Report on Internal Control Over Compliance

The management of the Zoo is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Zoo's internal control over compliance with the types of requirements that could have a direct and material effect on its major state project in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Zoo's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

MAYER HOFFMAN MCCANN P.C.

January 25, 2019
Clearwater, Florida

**LOWRY PARK ZOOLOGICAL SOCIETY OF TAMPA, INC.
AND
LOWRY PARK ZOO ENDOWMENT FOUNDATION, INC.**

Schedule of Findings and Questioned Costs

Year Ended September 30, 2018

(A) Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the combined financial statements of Lowry Park Zoological Society of Tampa, Inc. and the Lowry Park Zoo Endowment Foundation, Inc. (collectively the "Zoo").
2. No significant deficiencies or material weaknesses relating to the audit of the combined financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the combined financial statements of the Zoo, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major state project of the Zoo expresses an unmodified opinion.
6. Audit findings, if any, that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*, are reported in Part C, of this Schedule.
7. The project tested as a major state project was:
 - a. Lowry Park Zoo Manatee Hospital (CSFA 77.031)
8. The threshold for distinguishing Types A and B state project was \$300,000.

(B) Findings - Audit of Financial Statements

None.

(C) Findings and Questioned Costs - Major State Project

None.

(D) Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to state projects and no prior audit findings related to internal control and compliance required to be reported under *Government Auditing Standards*.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act and no prior audit findings related to internal control and compliance required to be reported under *Government Auditing Standards*.



Management Letter

The Board of Directors
Lowry Park Zoological Society of Tampa, Inc.:

Report on the Financial Statements

We have audited the combined financial statements of Lowry Park Zoological Society of Tampa, Inc. and Lowry Park Zoo Endowment Foundation, Inc. (collectively the “Zoo”) as of and for the year ended September 30, 2018, and have issued our report thereon dated January 25, 2019.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor’s Report on Compliance For Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 25, 2019, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the combined financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of This Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and other granting agencies, and applicable management, and is not intended and should not be used by anyone other than these specified parties.

MAYER HOFFMAN MCCANN P.C.

January 25, 2019
Clearwater, Florida