

**FRESNO'S CHAFFEE ZOO CORPORATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016,  
WITH COMPARATIVE TOTALS FOR 2015**

DRAFT

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Fresno's Chaffee Zoo Corporation  
Fresno, California

We have audited the accompanying financial statements of Fresno's Chaffee Zoo Corporation, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fresno's Chaffee Zoo Corporation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fresno, California  
June 12, 2017

DRAFT

**FRESNO'S CHAFFEE ZOO CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016, WITH COMPARATIVE TOTALS FOR 2015**

	UNRESTRICTED		TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS	
	FCZC	MEASURE Z			2016	2015
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	\$ 279,303	\$ 0	\$ 1,236,303	\$ 0	\$ 1,515,606	\$ 347,055
Accounts receivable (Note 2)	708,379	0	0	0	708,379	2,010,539
Pledges receivable, current portion (Note 3)	1,500	0	26,020	0	27,520	33,045
Prepaid expenses	139,187	0	0	0	139,187	150,623
<b>TOTAL CURRENT ASSETS</b>	<b>1,128,369</b>	<b>0</b>	<b>1,262,323</b>	<b>0</b>	<b>2,390,692</b>	<b>2,541,262</b>
<b>PLEDGES RECEIVABLE</b> , net of current portion reflected above (Note 3)	0	0	9,331	0	9,331	36,602
<b>CONSTRUCTION IN PROGRESS</b>	458,763	0	0	0	458,763	148,621
<b>EQUIPMENT AND FACILITIES</b> , net of accumulated depreciation of \$8,890,837 in 2016 and \$4,933,181 in 2015	67,857,904	0	0	0	67,857,904	69,915,824
<b>INVESTMENT IN SECURITIES</b> (Note 4)	10,079,426	0	0	53,555	10,132,981	9,462,804
<b>TOTAL ASSETS</b>	<b>79,524,462</b>	<b>0</b>	<b>1,271,654</b>	<b>53,555</b>	<b>80,849,671</b>	<b>82,105,113</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Margin loan (Note 5)	350,746	0	0	0	350,746	772,358
Accounts payable	808,768	0	0	0	808,768	1,282,535
Accrued expenses	514,763	0	0	0	514,763	420,540
Deferred revenue	201,747	0	0	0	201,747	47,055
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,876,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,876,024</b>	<b>2,522,488</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 8)	0	0	0	0	0	0
<b>NET ASSETS</b>						
Permanently restricted (Note 6)	0	0	0	53,555	53,555	49,348
Temporarily restricted (Note 9)	0	0	1,271,654	0	1,271,654	274,079
Unrestricted (Note 10)	77,648,438	0	0	0	77,648,438	79,259,198
<b>TOTAL NET ASSETS</b>	<b>77,648,438</b>	<b>0</b>	<b>1,271,654</b>	<b>53,555</b>	<b>78,973,647</b>	<b>79,582,625</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 79,524,462</b>	<b>\$ 0</b>	<b>\$ 1,271,654</b>	<b>\$ 53,555</b>	<b>\$ 80,849,671</b>	<b>\$ 82,105,113</b>

**FRESNO'S CHAFFEE ZOO CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016, WITH COMPARATIVE TOTALS FOR 2015**

	UNRESTRICTED		TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS	
	FCZC	MEASURE Z			2016	2015
<b>REVENUE AND SUPPORT</b>						
Measure Z operating funds (Note 11)	\$ 0	\$ 4,190,869	\$ 0	\$ 0	\$ 4,190,869	\$ 4,383,385
Measure Z capital funds (Note 12)	0	317,212	0	0	317,212	21,389,079
Return of prior year funding (Note 12)	0	(335,649)	0	0	(335,649)	0
City of Fresno funds	460,522	0	1,039,478	0	1,500,000	0
Admissions income	4,099,886	0	0	0	4,099,886	2,433,647
Gift shop sales	499,947	0	0	0	499,947	440,843
Donations	103,411	0	236,617	0	340,028	694,949
Concessions commission	775,616	0	0	0	775,616	410,571
Membership income	1,323,499	0	0	0	1,323,499	986,986
Donated materials and services (Note 14)	131,769	0	0	0	131,769	111,338
Stingray Bay Exhibit income	298,588	0	0	0	298,588	304,128
Education income	396,941	0	14,938	0	411,879	362,476
Event income	704,314	0	0	0	704,314	623,936
Investment income, net of expenses of \$57,989 in 2016 and of \$44,245 in 2015 (Note 4)	267,451	0	0	1,580	269,031	324,359
Unrealized gain (loss) on securities (Note 4)	387,436	0	0	2,627	390,063	(459,079)
Facility rental income	604,641	0	0	0	604,641	374,968
Giraffe feeding income	450,838	0	0	0	450,838	204,558
Adopt-an-Animal income	31,650	0	0	0	31,650	32,690
Other income	55,278	0	1,006	0	56,284	56,537
Net assets released from restrictions:						
Satisfaction of program restrictions (Note 9)	294,464	0	(294,464)	0	0	0
<b>TOTAL REVENUE AND SUPPORT</b>	<b>10,886,251</b>	<b>4,172,432</b>	<b>997,575</b>	<b>4,207</b>	<b>16,060,465</b>	<b>32,675,371</b>
<b>EXPENSES</b>						
Program services	7,667,907	4,172,432	0	0	11,840,339	31,133,717
Management and general	719,699	0	0	0	719,699	589,282
Fundraising	531,940	0	0	0	531,940	478,207
<b>TOTAL EXPENSES</b>	<b>8,919,546</b>	<b>4,172,432</b>	<b>0</b>	<b>0</b>	<b>13,091,978</b>	<b>32,201,205</b>
<b>INCREASE IN NET ASSETS BEFORE GAAP ADJUSTMENTS</b>	<b>1,966,705</b>	<b>0</b>	<b>997,575</b>	<b>4,207</b>	<b>2,968,487</b>	<b>474,166</b>
<b>GAAP ADJUSTMENTS (NOTE 1)</b>						
Capitalized construction in progress purchased with Measure Z funds	317,172	0	0	0	317,172	21,388,879
Return of prior year funding	(335,649)	0	0	0	(335,649)	0
Depreciation on capitalized facilities purchased with Measure Z funds	(3,558,988)	0	0	0	(3,558,988)	(2,094,964)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(1,610,760)</b>	<b>0</b>	<b>997,575</b>	<b>4,207</b>	<b>(608,978)</b>	<b>19,768,082</b>
<b>NET ASSETS, beginning of year</b>	<b>79,259,198</b>	<b>0</b>	<b>274,079</b>	<b>49,348</b>	<b>79,582,625</b>	<b>59,814,543</b>
<b>NET ASSETS, end of year</b>	<b>\$ 77,648,438</b>	<b>\$ 0</b>	<b>\$ 1,271,654</b>	<b>\$ 53,555</b>	<b>\$ 78,973,647</b>	<b>\$ 79,582,625</b>

FRESNO'S CHAFFEE ZOO CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016, WITH COMPARATIVE TOTALS FOR 2015

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTALS	
		MANAGEMENT AND GENERAL	FUNDRAISING	2016	2015
Advertising (Note 1)	\$ 358,205	\$ 0	\$ 0	\$ 358,205	\$ 260,923
Animal services	460,911	0	0	460,911	592,850
Bank and credit card fees	114,297	7,662	5,747	127,706	83,274
Business expense	46,391	3,110	2,332	51,833	50,067
Computer/software expense	48,737	3,267	2,450	54,454	40,549
Conservation	97,594	6,543	4,907	109,044	81,410
Contracted services	490,854	30,413	22,809	544,076	487,373
Consultant fees	156,391	0	0	156,391	32,988
Depreciation	356,807	23,920	17,940	398,667	322,560
Dues	22,295	1,495	1,121	24,911	46,265
Equipment	225,035	15,086	11,315	251,436	221,747
Fleet	19,370	1,299	974	21,643	38,119
Food/catering expense	372,647	24,982	18,736	416,365	274,872
Insurance - liability	160,618	10,768	8,076	179,462	155,389
Interest expense	0	10,448	0	10,448	15,434
Miscellaneous	47,626	3,193	2,395	53,214	40,907
Office supplies	30,196	2,024	1,518	33,738	31,831
Postage	54,764	3,671	2,754	61,189	59,193
Printing	172,570	11,569	8,677	192,816	212,740
Professional services	249,403	16,720	12,540	278,663	235,710
Repairs and replacements	266,287	0	0	266,287	312,706
Salaries and benefits	2,548,862	451,818	338,863	3,339,544	1,578,987
Specialized services	22,648	1,518	1,139	25,305	22,103
Staff development	103,868	6,963	5,222	116,053	66,949
Supplies	551,450	36,969	27,727	616,146	512,265
Telephone	45,852	3,074	2,305	51,231	49,763
Uniforms	32,852	2,202	1,652	36,706	43,702
Utilities	611,376	40,986	30,740	683,102	548,064
	<u>7,667,907</u>	<u>719,699</u>	<u>531,940</u>	<u>8,919,546</u>	<u>6,428,740</u>
Measure Z operating funds (Note 11)	4,190,869	0	0	4,190,869	4,383,385
Measure Z capital funds (Note 12)	317,212	0	0	317,212	21,389,079
Return of prior year funding (Note 12)	<u>(335,649)</u>	<u>0</u>	<u>0</u>	<u>(335,649)</u>	<u>0</u>
<b>SUBTOTAL BEFORE GAAP ADJUSTMENTS</b>	<b>11,840,339</b>	<b>719,699</b>	<b>531,940</b>	<b>13,091,978</b>	<b>32,201,205</b>
<b>GAAP ADJUSTMENTS (NOTE 1)</b>					
Capitalized construction in progress purchased with Measure Z funds	(317,172)	0	0	(317,172)	(21,388,879)
Return of prior year funding	335,649	0	0	335,649	0
Depreciation on facilities purchased with Measure Z funds	<u>3,558,988</u>	<u>0</u>	<u>0</u>	<u>3,558,988</u>	<u>2,094,964</u>
	<u>\$ 15,417,804</u>	<u>\$ 719,699</u>	<u>\$ 531,940</u>	<u>\$ 16,669,443</u>	<u>\$ 12,907,289</u>

**FRESNO'S CHAFFEE ZOO CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (608,978)	\$ 19,768,082
Adjustments to reconcile increase (decrease) in net assets to net cash provided from operating activities:		
Depreciation	3,957,655	2,427,524
Donated equipment and facilities	0	(15,000)
Contributions restricted for long-term purpose - endowment	0	(215,863)
Unrealized (gain) loss on securities	(390,063)	459,079
Changes in:		
Accounts receivable	1,302,160	5,111,489
Pledges receivable	32,796	67,515
Prepaid expenses	11,436	(26,877)
Accounts payable	(473,767)	(4,799,849)
Accrued expenses	94,223	118,123
Deferred revenue	154,692	46,036
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<b>4,080,154</b>	<b>22,940,259</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment and facilities	(1,899,735)	(22,991,673)
Increase in construction in progress	(310,142)	(148,621)
Acquisition of securities	(280,114)	(549,089)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(2,489,991)</b>	<b>(23,689,383)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in margin loan	(421,612)	524,273
Contributions restricted for long-term purpose - endowment	0	215,863
<b>NET CASH PROVIDED FROM (USED BY) FINANCING ACTIVITIES</b>	<b>(421,612)</b>	<b>740,136</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,168,551</b>	<b>(8,988)</b>
<b>CASH, beginning of year</b>	<b>347,055</b>	<b>356,043</b>
<b>CASH, end of year</b>	<b>\$ 1,515,606</b>	<b>\$ 347,055</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<b>\$ 10,448</b>	<b>\$ 15,434</b>
<b>Non-cash transactions:</b>		
Donated materials and services	<b>\$ 131,769</b>	<b>\$ 96,338</b>
Transfer of construction in progress to equipment and facilities	<b>\$ 4,115,840</b>	<b>\$ 35,212,433</b>



FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1: ORGANIZATION/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fresno's Chaffee Zoo Corporation is a non-profit organization incorporated under the laws of the State of California. The organization was formed to operate, maintain and control zoological gardens, and collections and specimens of animals for the education, recreation and pleasure of the general public. The organization is supported primarily through Measure Z operating funds.

The following are the significant accounting policies of the organization:

**Method of accounting** – The financial statements are prepared using the accrual basis of accounting, in which support and revenue are recognized when earned or due and expenses are recognized when incurred.

**Recognition of donor restrictions** – Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

**Restrictions on assets** – Restricted funds are reported as follow:

**Permanently restricted net assets** – consist of endowment fund investments to be held indefinitely. The investment income may be used for operations.

**Temporarily restricted net assets** – represent resources that have been designated by donors for specific projects and programs.

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through provisions for bad debt expense based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2016 and 2015 the organization considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

**Pledges receivable** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are normally recorded at the present value of the expected future cash flows. Management has determined the discount rate and present value calculation reflect a nominal amount, therefore, long-term pledges receivable are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. At December 31, 2016 and 2015, the organization considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 1: ORGANIZATION/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Construction in progress** – Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

**Equipment and facilities** – Equipment and facilities acquired by the organization are recorded at cost. Assets donated to the organization are recorded at their fair market value at the date of the donation. The organization's policy is to capitalize all expenditures for equipment and facilities in excess of \$2,000 and \$30,000, respectively. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

**Investment in securities** – Investment in securities represents investments in marketable equity securities. The securities are classified as "available for sale" and carried on the financial statements at fair value. The permanent endowment principal may not be expended; the earnings may be used for operations in accordance with the endowment policy adopted by the organization's Board of Directors.

**Measure Z funds** – In November 2004, the voters of Fresno County approved Measure Z, a transactions and use tax (sales tax) at the rate of 0.1%, proposed by the Fresno County Zoo Authority, to support the Fresno Chaffee Zoo. In 2014, the voters approved the extension of Measure Z for an additional ten years.

The Fresno County tax ordinance allows up to one-third of the tax revenues to be used for operations and maintenance of the Fresno Chaffee Zoo and requires a minimum of two-thirds of the funds to be used for capital improvement projects at the Fresno Chaffee Zoo (see Notes 11 and 12).

The Fresno County Zoo Authority is charged with oversight of the administration of the Measure Z funds and approves all funding requests for operations and capital improvement projects.

**Donated materials and services** – The organization receives various donated materials and services. The estimated fair value of the donation is recorded as support and expense in the period received.

Unpaid volunteers make significant contributions of their time to assist the organization in its programs and special events. The value of volunteer time is not reflected in these statements because it is not susceptible to objective measurement or valuation.

**Accounting estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1: ORGANIZATION/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**Accounting estimates** (Continued)

assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Expense allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income taxes** – Fresno's Chaffee Zoo Corporation is incorporated as a nonprofit California corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701d.

Tax returns are filed in U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination. The organization classifies interest and penalties on tax assessments as an expense when incurred. For the years ended December 31, 2016 and 2015, interest and penalties totaled \$0.

**Advertising costs** – Advertising costs are expensed as incurred and totaled \$358,205 and 260,923 in 2016 and 2015, respectively.

**Comparative financial information** – The financial statements include certain prior-year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**GAAP adjustments** – The Statement of Activities presents financial data in conformity with generally accepted accounting principles (GAAP). The Measure Z column on the Statement of Activities presents expenditures according to Measure Z reporting requirements for which expenditures for construction in progress and facilities are expensed when incurred. However, for GAAP, such expenditures are capitalized and depreciated over the life of the asset. To address such reporting differences, the Statement of Activities includes GAAP adjustments.

**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 1: ORGANIZATION/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**GAAP adjustments (Continued)**

The Statement of Functional Expenses presents financial data in conformity with GAAP. The Measure Z capital funds line includes \$317,212 and \$21,388,879 expended for construction in progress and facilities for 2016 and 2015, respectively. For GAAP reporting purposes, these expenditures are capitalized and depreciated over the life of the asset.

**NOTE 2: ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2016 and 2015, consists of the following:

	2016				2015 TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	
Measure Z Operating	\$ 635,263	\$ 0	\$ 0	\$ 635,263	\$ 848,617
Measure Z Capital	0	0	0	0	1,022,592
City of Fresno	0	0	0	0	47,990
Various	73,116	0	0	73,116	91,340
<b>Total</b>	<b>\$ 708,379</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 708,379</b>	<b>\$ 2,010,539</b>

**NOTE 3: PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2016 and 2015 are as follows:

	2016				2015 TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	
Less than one year	\$ 1,500	\$ 26,020	\$ 0	\$ 27,520	\$ 33,045
One to four years	0	9,331	0	9,331	36,602
<b>Total</b>	<b>\$ 1,500</b>	<b>\$ 35,351</b>	<b>\$ 0</b>	<b>\$ 36,851</b>	<b>\$ 69,647</b>

**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 4: INVESTMENT IN SECURITIES**

Investment in securities as of December 31, 2016 and 2015, is summarized below:

	<b>2016</b>	<b>2015</b>
Unrestricted:		
Bond mutual funds	\$ 4,500,181	\$ 4,357,661
Equity mutual funds	5,533,920	5,012,158
Money market funds	<u>45,325</u>	<u>43,637</u>
	<u>10,079,426</u>	<u>9,413,456</u>
Permanently Restricted:		
Bond mutual funds	14,769	14,834
Equity mutual funds	38,317	34,175
Money market funds	<u>469</u>	<u>339</u>
	<u>53,555</u>	<u>49,348</u>
	<u><b>\$ 10,132,981</b></u>	<u><b>\$ 9,462,804</b></u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2016, with comparable totals for 2015:

	<b>2016</b>				<b>2015</b>
	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>TOTAL</b>	<b>TOTAL</b>
Investment return:					
Investment income, net of expenses	\$ 267,451	\$ 0	\$ 1,580	\$ 269,031	\$ 324,359
Unrealized gain (loss)	<u>387,436</u>	<u>0</u>	<u>2,627</u>	<u>390,063</u>	<u>(459,079)</u>
	<u><b>\$ 654,887</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 4,207</b></u>	<u><b>\$ 659,094</b></u>	<u><b>\$ (134,720)</b></u>

**NOTE 5: MARGIN LOAN**

The organization has a margin loan account with Charles Schwab. Management can withdraw a maximum of 25% of the total account value. Interest is calculated at the daily margin interest rate; at December 31, 2016 the interest rate was 2.30%. The account is collateralized by securities owned by the organization and matures August 1, 2017. At December 31, 2016 and 2015, the outstanding balance was \$350,746 and \$772,358, respectively.

# FRESNO'S CHAFFEE ZOO CORPORATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### NOTE 6: ENDOWMENTS

Effective January 1, 2009 the organization adopted the provisions established by accounting literature for Endowments of Not-for-Profit Foundations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. The accounting literature provides guidance for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2009 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The organization's endowment assets consist of individual funds established to provide financial support to the organization. The endowment assets include both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 organization 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 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 UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate the donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the organization.
7. The investment policies of the organization.

# FRESNO'S CHAFFEE ZOO CORPORATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 6: **ENDOWMENTS** (Continued)

### **Return Objectives and Risk Parameters**

The organization 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 funds restricted by donors that the organization must retain permanently as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to meet or exceed the Policy Index, as defined as 65% S&P 500, 30% Lehman Aggregate Bonds, and 5% Cash while assuming a moderate level of investment risk. The organization expects its endowment funds, over time, to provide an average nominal rate of return of approximately 8.5% annually. Additionally, the organization expects its endowment funds, over time, to provide an average real rate of return (after inflation) of approximately 5% annually. Actual returns in any given year may vary from this amount; therefore compliance with performance expectations is evaluated over a three to five-year time horizon.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the organization seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The organization uses a method based upon the total return on assets to determine the amounts appropriated for expenditure for endowments under which the organization is the income beneficiary in conformity with the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA).

The Board of Directors has a spending policy on all endowments, such that distribution amounts will be determined prior to the new fiscal year based on the previous twelve (12) quarters-end average market value, whenever possible. In any given year, the distribution of an individual endowment or endowments may be less than 5% if the total return is not enough to preserve the purchasing power of the fund.

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**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

NOTE 6: **ENDOWMENTS (Continued)**

**Endowment Net Asset Composition by Type of Fund**

Endowment net assets consist of the following at December 31, 2016 and 2015:

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 0	\$ 53,555	\$ 53,555
Board-designated endowment funds	4,594,780	0	4,594,780
<b>Total endowment net assets</b>	<b>\$ 4,594,780</b>	<b>\$ 53,555</b>	<b>\$ 4,648,335</b>
	<b>2015</b>		
	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 0	\$ 49,348	\$ 49,348
Board-designated endowment funds	4,249,614	0	4,249,614
<b>Total endowment net assets</b>	<b>\$ 4,249,614</b>	<b>\$ 49,348</b>	<b>\$ 4,298,962</b>

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**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 6: ENDOWMENTS (Continued)**

**Changes in Endowment Net Assets**

The following schedules shows changes in endowment net assets for the years ended December 31, 2016 and 2015:

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, January 1, 2016	\$ 4,249,614	\$ 49,348	\$ 4,298,962
Investment return			
Investment income, net of expenses	134,329	1,580	135,909
Unrealized gain	210,837	2,627	213,464
Net investment return	345,166	4,207	349,373
Contributions	0	0	0
Amounts appropriated for expenditure	0	0	0
Endowment net assets, December 31, 2016	<u>\$ 4,594,780</u>	<u>\$ 53,555</u>	<u>\$ 4,648,335</u>

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**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 6: ENDOWMENTS (Continued)**

**Changes in Endowment Net Assets (Continued)**

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ 4,119,118	\$ 50,430	\$ 4,169,548
Investment return			
Investment income, net of expenses	156,007	2,028	158,035
Unrealized loss	<u>(241,374)</u>	<u>(3,110)</u>	<u>(244,484)</u>
Net investment return (deficit)	(85,367)	(1,082)	(86,449)
Contributions	215,863	0	215,863
Amounts appropriated for expenditure	<u>0</u>	<u>0</u>	<u>0</u>
Endowment net assets, December 31, 2015	<u>\$ 4,249,614</u>	<u>\$ 49,348</u>	<u>\$ 4,298,962</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0, as of both December 31, 2016 and 2015.

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FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 7: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described below:

- |         |  |
|---------|--|
| Level 1 | Quoted prices for identical assets or liabilities traded in active markets.  |
| Level 2 | Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

The asset's or fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

*Pledges receivable:* For pledges receivable that are due within one year, carrying amount is a reasonable estimate of fair value. For pledges receivable that are due in more than one year, fair value is estimated at the present value of estimated future cash flows, using a discount rate reflective of current interest rates. Management considers the current discount rate as minimal and the resulting discount to be nominal.

*Donated materials and services:* Valued based upon vendor invoices and current market price.

*Mutual funds:* Valued at closing price reported on the active market in which the funds are traded.

**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 7: FAIR VALUE MEASUREMENTS (Continued)**

*Money market funds:* Valued at authorized cost, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the level within the hierarchy at which assets are measured at December 31, 2016:

	2016			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
<b>Nonrecurring</b>				
Pledges receivable	\$ 36,851	\$ 0	\$ 0	\$ 36,851
Donated materials and services	131,769	0	131,769	0
<b>Total Nonrecurring</b>	<b>168,620</b>	<b>0</b>	<b>131,769</b>	<b>36,851</b>
<b>Recurring</b>				
Available for sale				
marketable securities:				
Bond mutual funds	4,514,950	4,514,950	0	0
Equity mutual funds	5,572,237	5,572,237	0	0
Money market funds	45,794	45,794	0	0
<b>Total available for sale</b>	<b>10,132,981</b>	<b>10,132,981</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>\$ 10,301,601</b>	<b>\$ 10,132,981</b>	<b>\$ 131,769</b>	<b>\$ 36,851</b>

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**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 7: FAIR VALUE MEASUREMENTS (Continued)**

The table below presents the level within the hierarchy at which assets are measured at December 31, 2015:

	<u>2015</u>			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
<b>Nonrecurring</b>				
Pledges receivable	\$ 69,647	\$ 0	\$ 0	\$ 69,647
Donated materials and services	111,338	0	111,338	0
Total Nonrecurring	<u>180,985</u>	<u>0</u>	<u>111,338</u>	<u>69,647</u>
<b>Recurring</b>				
Available for sale				
marketable securities:				
Bond mutual funds	4,372,495	4,372,495	0	0
Equity mutual funds	5,046,333	5,046,333	0	0
Money market funds	43,976	43,976	0	0
Total available for sale marketable securities	<u>9,462,804</u>	<u>9,462,804</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<u>\$ 9,643,789</u>	<u>\$ 9,462,804</u>	<u>\$ 111,338</u>	<u>\$ 69,647</u>

A summary of changes in the fair value of the organization's Level 3 assets for the year ended December 31, 2016 and 2015 is presented below:

	<b>2016</b>	<b>2015</b>
Pledges receivable		
Balance, beginning of year	\$ 69,647	\$ 137,162
Additions to pledges receivable	33,080	90,520
Payments on pledges receivable	<u>(65,876)</u>	<u>(158,035)</u>
Balance, end of year	<u>\$ 36,851</u>	<u>\$ 69,647</u>

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**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

The organization leases the following equipment under operating leases that have the following expiration dates:

Postage machine	January 31, 2018
Copiers Ricoh RI MPC2551 (2)	August 9, 2017
Copier Toshiba 4555C	June 30, 2019
Color Copier Xerox 6605	July 5, 2019
Zoo land and facilities	December 31, 2036

Future minimum lease payments are as follow:

<b>YEAR ENDING DECEMBER 31,</b>	<b>Postage Machine</b>	<b>Copiers</b>	<b>Zoo Land and Facilities</b>	<b>Total</b>
2017	\$ 1,848	\$ 4,444	\$ 1	\$ 6,293
2018	154	2,654	1	2,809
2019	0	1,326	1	1,327
2020	0	0	1	1
2021	0	0	1	1
Thereafter	0	0	15	15
	<u>\$ 2,002</u>	<u>\$ 8,424</u>	<u>\$ 20</u>	<u>\$ 10,446</u>

Lease expense for the years ended December 31, 2016 and 2015, was \$6,889 and \$8,049, respectively and is included in equipment expense.

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**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 9: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2016 and 2015, are available for the following purposes:

	<b>2016</b>	<b>2015</b>
African River	\$ 5,000	\$ 0
Australian Bird Purchase	12,221	12,221
Australian Exhibit	0	62,758
Bat Exhibit	562	562
Benches	1,785	1,785
Change for Cheetahs	10,557	10,328
City of Fresno	1,039,478	0
Distance Learning	7,000	7,000
Enrichment Income	5,626	0
Haron Jaguar Zoo Fund	1,080	1,080
Keeper Lounge Restoration	50,000	50,000
Lorikeet Exhibit	1,850	1,850
Orangutan/Tiger Exhibit	70,912	70,912
Parking	50,000	25,000
Radin Scholarship Fund	1,000	1,000
Valley Farms	0	15,000
Wells Fargo Wednesdays	14,583	14,583
	<u>\$ 1,271,654</u>	<u>\$ 274,079</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes:

Africa	\$ 174,534
Australian Exhibit	62,758
Camp Scholarships	1,602
Conservation	2,204
Education	9,861
Enrichment Income	350
Miscellaneous	500
Sea Lion	2,640
Stingray Bay	15
Valley Farms	15,000
Wells Fargo Wednesdays	25,000
	<u>\$ 294,464</u>

**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 10: UNRESTRICTED NET ASSETS**

Unrestricted net assets at December 31, 2016 and 2015, consist of the following:

	<b>2016</b>	<b>2015</b>
Board-designated endowment	\$ 4,594,780	\$ 4,249,614
Undesignated net assets	<u>73,053,658</u>	<u>75,009,584</u>
	<u><b>\$ 77,648,438</b></u>	<u><b>\$ 79,259,198</b></u>

**NOTE 11: MEASURE Z OPERATING FUNDS**

For the years ended December 31, 2016 and 2015, Measure Z operating funds were used as follows:

	<b>2016</b>	<b>2015</b>
Salaries and benefits:		
Animal	\$ 2,976,765	\$ 2,256,665
Animal feed	360,000	300,000
Maintenance	0	575,617
Utilities	500,000	314,940
Veterinary services	353,984	271,093
Visitor services	0	664,960
Bank charges	<u>120</u>	<u>110</u>
	<u><b>\$ 4,190,869</b></u>	<u><b>\$ 4,383,385</b></u>

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FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 12: MEASURE Z CAPITAL FUNDS

For the years ended December 31, 2016 and 2015, Measure Z capital funds were used as follows:

	2016	2015
Architectural services	\$ 7,214	\$ 512,458
Construction in progress	245,391	20,493,157
Utility improvements	0	256,727
Animal acquisition/transport	64,567	126,538
Bank charges	40	200
	<u>\$ 317,212</u>	<u>\$ 21,389,079</u>

During 2016, the organization received \$1,500,000 from the City of Fresno to fund a portion of shared costs of capital projects. The organization has identified the capital projects that were originally funded using Measure Z funds and has reimbursed to the Fresno County Zoo Authority these funds totaling \$335,649.

NOTE 13: MANAGEMENT TRANSITION

The City of Fresno transferred management for the Fresno Chaffee Zoo to the organization during the year ended December 31, 2006. The agreement was effective January 1, 2006 and expires December 31, 2036 with a conditional option to extend the agreement for an additional 25-year period. In the event the conditions for this extension are not met, the organization has an option to extend the initial agreement for ten years with an additional ten-year extension available. The ten-year extensions shall be granted at the sole discretion of the Fresno City Council based upon the same terms and conditions of the initial agreement.

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**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 14: DONATED MATERIALS AND SERVICES**

Donated materials and services for the years ended December 31, 2016 and 2015, were received for the following purposes:

	<b>2016</b>		<b>2015</b>
Breakfast with the Animals	\$ 7,574	\$	4,174
Demolition Services - Temporary Parking	0		15,000
Dream Night/Zoobilation	1,207		1,682
Frogs and Fairytales	6,531		5,580
Ice Cream Zoofari	42,850		42,300
Miscellaneous	0		934
Safari Night	39,280		25,336
Zoo Boo	13,175		14,595
Kids Night	140		140
Zoolights	21,012		1,597
	<u>\$ 131,769</u>	\$	<u>111,338</u>

**NOTE 15: PENSION PLAN**

The organization has a 401(k) defined contribution plan that covers all employees who have attained age 21 and have completed a year of service. The plan allows eligible employees to defer compensation up to the maximum annual deferral limit. The plan provides an employer match of 100% for the first 3% of the employee contribution and a 50% match for the next 2% of the employee contribution, up to a maximum employer match of 4% of pay.

The organization may make an additional, discretionary contribution to the plan. The Board of Directors determines each year if such a contribution will be made and, if so, the amount to be contributed. This contribution will be allocated among eligible participants, who have completed 1,000 hours of service, based upon compensation received during the plan year.

There were no discretionary contributions to the plan during the years ended December 31, 2016 and 2015.

The total contribution expense related to the plan, for the years ended December 31, 2016 and 2015, was \$106,071 and \$85,487, respectively. The expense is included in salaries and benefits.

**FRESNO'S CHAFFEE ZOO CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 16: CONCENTRATION OF CREDIT RISK**

The organization maintains its cash balances in one financial institution located in Fresno, California. At times during the year, the organization maintained balances that exceeded the federally insured limit of \$250,000. The organization believes that there is no significant risk with respect to these deposits.

**NOTE 17: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 12, 2017 (date financial statements available to be issued) and determined no events have occurred subsequent to December 31, 2016 that would require adjustment to, or disclosure in the financial statements.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of Directors  
Fresno's Chaffee Zoo Corporation  
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of Fresno's Chaffee Zoo Corporation, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2017.

**Internal Control Over Financial Reporting**

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

### **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 organization's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Fresno, California  
June 12, 2017

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