NASHVILLE ZOO INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2009 and 2008

NASHVILLE ZOO INC.

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FRASIER, DEAN & HOWARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Nashville Zoo Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville Zoo Inc. (a non-profit organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Nashville Zoo Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nashville Zoo Inc. as of December 31, 2009 and 2008, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 20 – 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frasier, Dean + Howard, PLLC

March 9, 2010

NASHVILLE ZOO INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 377,457	$ 153,630
Accounts receivable	11,402	15,083
Contributions receivable	175,200	151,000
Grant receivable	803,919	-
Prepaid expenses	58,080	76,470
Total current assets	1,426,058	396,183
Contributions receivable, net of current portion and discounts	19,370	289,239
Prepaid membership	168,000	189,000
Investments	11,168,145	9,417,452
Construction in progress	222,821	1,545,911
Property and equipment - net of accumulated depreciation of $9,183,981 and $7,617,435 for 2009 and 2008, respectively	19,925,752	19,373,323
Total assets	$ 32,930,146	$ 31,211,108
Liabilities and Net Assets		
Current liabilities:		
Line of credit	$ 1,770,000	$ 2,035,000
Accounts payable	220,322	193,423
Accrued expenses	132,953	144,971
Advances from former affiliates	969,051	969,051
Accrued interest - former affiliates	2,882,693	2,882,693
Note payable - related party	50,000	-
Notes payable	4,992,107	4,992,107
Total current liabilities	11,017,126	11,217,245
Note payable - related party, net of current portion	150,000	-
Total liabilities	11,167,126	11,217,245
Net assets:		
Unrestricted	7,458,580	6,332,522
Temporarily restricted	1,852,527	1,220,666
Permanently restricted	12,451,913	12,440,675
Total net assets	21,763,020	19,993,863
Total liabilities and net assets	$ 32,930,146	$ 31,211,108

See accompanying notes.

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:				
Gate admissions	$ 3,353,683	$ -	$ -	$ 3,353,683
Investment income	1,945,913	-	-	1,945,913
Memberships	1,706,861	-	-	1,706,861
Vending, special events, and education	1,445,607	-	-	1,445,607
Contributions	396,430	539,859	11,238	947,527
Grants	316,269	803,919	-	1,120,188
Other	2,261	-	-	2,261
Total public support and revenues	9,167,024	1,343,778	11,238	10,522,040
Net assets released from restrictions	711,917	(711,917)	-	-
	9,878,941	631,861	11,238	10,522,040
Expenses:				
Program	7,811,871	-	-	7,811,871
Management and general	699,825	-	-	699,825
Fundraising	241,187	-	-	241,187
Total expenses	8,752,883	-	-	8,752,883
Change in net assets	1,126,058	631,861	11,238	1,769,157
Net assets at beginning of year	6,332,522	1,220,666	12,440,675	19,993,863
Net assets at end of year	$ 7,458,580	$ 1,852,527	$12,451,913	$21,763,020

See accompanying notes.

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:				
Gate admissions	$ 2,802,707	$ -	$ -	$ 2,802,707
Memberships	1,574,210	-	-	1,574,210
Vending, special events, and education	1,449,281	-	-	1,449,281
Contributions	476,148	435,500	21,506	933,154
Grants	610,706	-	-	610,706
Other	94,467	-	-	94,467
Investment income (loss)	(3,950,692)	-	-	(3,950,692)
Total public support and revenues	3,056,827	435,500	21,506	3,513,833
Net assets released from restrictions	460,065	(460,065)	-	-
	3,516,892	(24,565)	21,506	3,513,833
Expenses:				
Program	7,680,989	-	-	7,680,989
Management and general	651,979	-	-	651,979
Fundraising	333,739	-	-	333,739
Total expenses	8,666,707	-	-	8,666,707
Change in net assets	(5,149,815)	(24,565)	21,506	(5,152,874)
Net assets at beginning of year	11,482,337	1,245,231	12,419,169	25,146,737
Net assets at end of year	$ 6,332,522	$ 1,220,666	$12,440,675	$19,993,863

See accompanying notes.

NASHVILLE ZOO INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	$ 1,769,157	$ (5,152,874)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,573,198	1,518,486
Loss on disposal of property and equipment	4,133	-
Discount on contributions receivable	(5,331)	(7,901)
Contributions restricted for permanent investment	-	(45,200)
Realized and unrealized (gain) loss on investments	(1,675,685)	4,270,478
Donated property and equipment	-	(15,000)
Changes in operating assets and liabilities:		
Accounts receivable	3,681	(4,653)
Contributions receivable	251,000	(169,800)
Grant receivable	(803,919)	250,000
Prepaid expenses	39,390	9,066
Accounts payable	26,899	(72,308)
Accrued expenses	(12,018)	66,254
Net cash provided by operating activities	1,170,505	646,548
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(816,950)	(1,915,522)
Proceeds from disposal of property and equipment	10,280	-
Purchases of investments	(3,662,236)	(3,268,003)
Sales of investments	3,587,228	2,803,492
Net cash used in investing activities	(881,678)	(2,380,033)
Cash flows from financing activities:		
Contributions restricted for permanent investment	-	45,200
Note payable - related party	200,000	-
Borrowings under line of credit	935,000	1,350,000
Payments on line of credit	(1,200,000)	(350,000)
Net cash (used in) provided by financing activities	(65,000)	1,045,200
Increase (decrease) in cash and cash equivalents	223,827	(688,285)
Cash and cash equivalents at beginning of year	153,630	841,915
Cash and cash equivalents at end of year	$ 377,457	$ 153,630
Supplemental information:		
Interest paid	$ 37,265	$ 59,261
Donated property and equipment	$ -	$ 15,000

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nashville Zoo Inc. (the "Organization") was chartered in November 1989 as a Tennessee not-for-profit Corporation. The Organization's mission is to inspire a culture of understanding and discovery of our natural world through conservation, innovation, and leadership. During March 2004, the Organization was granted accreditation by the Association of Zoos and Aquariums ("AZA"), assuring that the Organization meets the highest standards of animal care and husbandry. This accreditation makes the Organization eligible for funding and grants from certain foundations, corporations and other sources. The Organization is required to apply for accreditation every five years and was awarded accreditation again in March 2009.

The Organization's significant accounting policies are as follows:

Accounting Standards Codification

The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Organization's statements of financial position, activities, or cash flows.

Financial Statement Presentation

In accordance with the FASB ASC, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, 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 – Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

In accordance with generally accepted accounting principles for nonprofit organizations, contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-Kind Contributions

The Organization records various types of in-kind support including contributed materials, equipment and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The value of animals borrowed from other organizations or individuals is generally not included in revenue or expense since no objective basis is available to measure such donation.

Depreciation

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using a straight-line method. Estimated useful lives of major classes of property and equipment are as follows:

Buildings and improvements	5 – 40 years
Equipment	3 – 10 years
Vehicles	3 – 8 years

Animal Collection

Purchases of the Organization's animal collection are accounted for as an expense in the period acquired. Donated animals are recorded at their fair value, if determinable, as both a contribution and an expense of the period in which donated. Proceeds, if any, from the sale of any animals are accounted for as revenue in the period sold. No cost is assigned to animals born at the Organization.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the internal revenue code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

On January 1, 2009 the Organization adopted FASB ASC guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2008, 2007, and 2006. Adoption of this pronouncement had no impact on the Organization's financial position or activities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates reasonably possible to change in the near term relate to the Organization's related party debt and interest (Note 13).

Restricted Endowment Funds

The Uniform Prudent Management Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are generally expensed as incurred. Advertising and promotion expenses totaled $231,459 and $278,520 during 2009 and 2008, respectively.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2009 represent unconditional promises to give which are receivable over a period of time. These receivables are deemed to be fully collectible.

Receivable in less than one year		$ 175,200
Receivable in one to five years	20,000	
Less discount to net present value	(630)	
		19,370
Net contributions receivable		$ 194,570

Unconditional promises to give are due primarily from individuals, foundations and corporations located in the Middle Tennessee area. Balances of contributions receivable in less than one year are considered to approximate fair value. Contributions receivable in one to five years are reflected at present value of estimated future cash flows using a discount rate approximating the prime lending rate at December 31, 2009. Substantially all contributions receivable are due for temporarily or permanently restricted purposes.

NOTE 3 – GRANT RECEIVABLE

During 2009, the Organization was awarded a grant totaling $803,919 to be used for the construction of a new exhibit. The entire amount was outstanding and recorded in the accompanying 2009 statement of financial position as grant receivable. Subsequent to December 31, 2009, the Organization received $653,919 of this amount with the remaining $150,000 to be paid over the construction of the exhibit.

NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization has adopted the fair value measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The 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 (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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. A description of the valuation methodologies used for assets measured at fair value is as follows:

Fixed income securities: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Equity securities: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

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.

NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2009		2008	
	Fair Market Value	Quoted Prices in Active Markets for Identical Items (Level 1)	Fair Market Value	Quoted Prices in Active Markets for Identical Items (Level 1)
Fixed income securities	$ 1,950,725	$ 1,950,725	$ 1,241,227	$ 1,241,227
Equity securities	9,217,420	9,217,420	8,176,225	8,176,225
	$ 11,168,145	$ 11,168,145	$ 9,417,452	$ 9,417,452

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at December 31:

	2009	2008
Buildings and improvements	$ 27,300,864	$ 25,219,383
Land	530,000	530,000
Equipment	1,133,196	1,098,601
Vehicles	145,673	142,774
	29,109,733	26,990,758
Less accumulated depreciation	(9,183,981)	(7,617,435)
Net property and equipment	$ 19,925,752	$ 19,373,323

Construction in progress at December 31, 2009 and 2008 of $222,821 and $1,545,911, respectively, represents ongoing construction of various animal exhibits and infrastructure at the Grassmere location.

During 2004, the Organization ceased using the Joelton property and had no plans to use the property in future operations. At that time, management assessed the Joelton property and related assets for impairment. The value of these assets was reduced to the estimated fair market value of $330,000.

NOTE 6 – LINE OF CREDIT

During 2009, the Organization extended its line of credit, increasing maximum borrowings to $3,550,000. The line bears interest at a variable rate of LIBOR plus 1.75% with a minimum rate of 3%. The line matures in August 2010 and is secured by the Organization's endowment accounts. Outstanding balances under the line of credit totaled $1,770,000 and $2,035,000 at December 31, 2009 and 2008, respectively.

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following at December 31:

	2009	2008
Note payable – company controlled by the former president of the Organization, due in monthly principal installments of $41,601, plus interest, matured November 2000. Interest rate is 1% below bank prime rate with a ceiling of 12%; secured by Joelton property and general intangibles to the extent such existed at July 1, 1999, but excluding fixtures, equipment, supplies and machinery, transferred to the Organization's Grassmere facility. Estimated remaining book value of such collateral totals approximately $330,000. The Organization considers the note to be in dispute and that dispute is the subject of ongoing negotiations (Note 17).	$ 4,992,107	$ 4,992,107
Less current portion	(4,992,107)	(4,992,107)
Long-term portion	$ -	$ -

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

The Organization receives contributions from donors with the stipulation that such contributions are to be used for specific purposes. Temporarily restricted net assets are available as follows at December 31:

	2009	2008
Children's zoo	$ 1,000,000	$ 1,000,000
Flamingo exhibit	803,919	-
Time restrictions	-	200,000
Bamboo Trail graphics	9,518	9,518
Croft House and Farm	4,832	5,148
Other	34,258	6,000
	$ 1,852,527	$ 1,220,666

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes stipulated by donors as follows:

	2009	2008
Purpose restriction satisfied	$ 519,917	$ 460,065
Time restriction satisfied	200,000	-
	$ 711,917	$ 460,065

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following endowment funds at December 31:

	2009	2008
Investments to be held for production of income:		
General endowment	$ 12,451,913	$ 12,440,675

The interest earned on permanently restricted net assets is available to the Organization on an unrestricted basis.

The Organization's endowment consists of donor restricted gifts held in investment accounts. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Changes in Endowment Net Assets for the fiscal year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (2,972,792)	$ -	$ 12,440,675	$ 9,467,883
Contributions, net	-	-	11,238	11,238
Investment return:				
Net appreciation (realized and unrealized)	1,909,233	-	-	1,909,233
Endowment net assets, end of year	$ (1,063,559)	$ -	$ 12,451,913	$ 11,388,354

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in Endowment Net Assets for the fiscal year ended December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 991,039	$ -	$ 12,419,169	$ 13,410,208
Contributions, net	-	-	21,506	21,506
Investment return:				
Net depreciation (realized and unrealized)	(3,963,831)	-	-	(3,963,831)
Endowment net assets, end of year	$ (2,972,792)	$ -	$ 12,440,675	$ 9,467,883

Interpretation of Relevant Law

The Organization has interpreted the 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 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 unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 U.S. generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $1,063,559 and $2,972,792 as of December 31, 2009 and 2008, respectively, resulting primarily from unrealized losses of the Organization's investments.

Endowment Investment Policy 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 those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period.

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

Under this policy, the Organization's investment policy is generally to achieve a minimum real rate of return of 2% by maintaining 20%-85% of its portfolio in equities and 15%-60% of its portfolio in fixed income securities with the remaining 0%-25% in cash equivalents or alternative assets.

Strategies Employed for Achieving Investment Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based 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 has a policy of appropriating, no more often than quarterly, dividend and interest income from the endowment fund. Additionally, no more than once per calendar year, the Board of Directors may direct up to 10% of the current value of the endowment fund be distributed to the Organization's operating account for construction of new exhibits or to satisfy operating expenses that the Organization has been unable to pay through day-to-day operations. Specific agreements with donors for income taken relative to their specific endowment gifts are exempted.

NOTE 10 – IN-KIND CONTRIBUTIONS

The Organization received contributed goods and services during 2009 and 2008 meeting the requirements for recognition and consisting of the following:

	2009	2008
Equipment	$ -	$ 15,000
T-shirts for 5k run	-	30,000
Other	1,415	4,046
Payroll services	4,800	4,800
	$ 6,215	$ 53,846

NOTE 11 – GOVERNMENT GRANTS

During 2008, the Organization began work on certain capital improvements to be financed primarily through a State of Tennessee Department of Finance and Administration grant in the maximum amount of $750,000. Under the grant terms, the Organization was to be reimbursed for qualifying costs. Reimbursed expenses totaled $146,344 and $603,656 during 2009 and 2008, respectively.

NOTE 11 – GOVERNMENT GRANTS (Continued)

During 2009, the Organization received a grant from the Metropolitan Government of Nashville and Davidson County ("Metro") totaling $1,000,000. According to terms of the grant, the Organization will be reimbursed for expenditures up to this amount. For the year ended December 31, 2009, the Organization received $163,576 under this agreement. There is no time frame for spending these funds other than expenditures must be incurred after July 6, 2009.

NOTE 12 – CONCENTRATIONS

At times throughout the year, the Organization may maintain cash balances at financial institutions in excess of FDIC insured limits. Amounts in excess of these limits totaled $0 at December 31, 2009 and 2008, respectively.

NOTE 13 – RELATED PARTY TRANSACTIONS

The statements of financial position for 2009 and 2008 include disputed notes payable of $4,992,107 and disputed accrued interest of $2,204,698 owed to a company controlled by the former president of the Organization (Note 7).

The Organization's former president controls various other companies which claim to have made advances to the Organization for management, working capital and debt service. The balance of the claimed and disputed advances at December 31, 2009 and 2008 totaled $969,051, with claimed and disputed accrued interest at December 31, 2009 and 2008 of $677,995. Such advances and interest are the subject of ongoing negotiations between the Organization and its former president (Note 17).

During 2009, the Organization entered into an agreement to pay the current president $450,000 for his personal animal collection given to the Organization in 1990. As of December 31, 2009, $250,000 has been paid related to the agreement. The remaining $200,000 is reflected in the accompanying 2009 statement of financial position as note payable – related party. This amount is to be paid at $50,000 per year over the next four years.

NOTE 14 – LEASES

During 1997, the Organization executed a lease with the express purpose of moving the Nashville Zoo from Joelton, Tennessee to Grassmere Wildlife Park. Grassmere Wildlife Park, located within the city of Nashville, Tennessee, contains approximately 182 acres of land with various land improvements and buildings. The lease extends for forty years requiring payment of $40 with no further amounts due. Grassmere Wildlife Park is governed by a trust document which restricts the use of the park to nature study and the preservation of animals. At the end of the lease term, all permanent improvements made to the property revert to Metro.

NOTE 14 – LEASES (Continued)

Due to the restrictions placed on the use of the land by the trust document, fair market value is not readily determinable. Accordingly, no contribution or rental expense has been recorded in the financial statements.

The Organization has also entered into operating leases for various office equipment. The leases require total annual payments of approximately $16,000 and extend through 2013.

NOTE 15 – RETIREMENT PLAN

Effective May 1, 2002, the Organization established the Nashville Zoo Inc. 401(k) Plan (the "Plan"). Full time employees over the age of 21 with at least nine months of service are eligible to participate in the Plan. Participants may elect to defer up to 25% of compensation into the Plan; however, the Organization does not match employee contributions. Discretionary contributions will be made to the Plan as determined by the Board of Directors. For the years ended December 31, 2009 and 2008, the Organization did not make any contributions to the Plan.

NOTE 16 – AGREEMENTS

The Organization has entered into an arrangement with a concessionaire for restaurant and gift shop operations at the zoo facility. This arrangement began on January 1, 2006 and continues through December 31, 2017. The Organization will receive fees under this arrangement based on a percentage of gross receipts. Income from the arrangement totaled approximately $577,000 and $531,000 for 2009 and 2008, respectively.

NOTE 17 – UNCERTAINTY

The Organization's liabilities include approximately $4,992,107 in alleged and disputed note principal and $2,205,000 in alleged and disputed interest due to a company controlled by the Organization's former president. The note is primarily secured by the Organization's Joelton property, which is not currently used in zoo operations. The note matured in November 2000, and to date, the Organization has been unable to negotiate new terms or to pay the debt. In addition, certain companies controlled by the Organization's former president claim to have made advances to the Organization in prior years in the principal amount of $969,051, and claim entitlement to payment of related interest charges of $677,995. During 2006, until such dispute is resolved, the Organization ceased accruing any additional interest on the above mentioned debt. The ultimate outcome of these matters is presently unknown; however, if the lenders demand payment, the Organization would presently be unable to pay this alleged debt in the normal course of business.

NOTE 17 – UNCERTAINTY (Continued)

In May 2003, the Organization entered into mediation proceedings relating to certain alleged and disputed debt related to amounts owed and claimed to be owed to companies controlled by the Organization's former president (Notes 7, 13). The purpose of the proceedings was to determine actual amounts owed and to negotiate for the settlement of the liabilities. Although no immediate resolution has been reached, the Organization continues to dispute certain claimed advances and related interest. The Organization has chosen to continue to reflect such disputed liabilities in the accompanying financial statements, although it is not aware of any documentary evidence of such advances or any agreement to repay them with interest and the Organization's alleged creditors did not produce any evidence of such advances during the mediation proceedings. As negotiations are ongoing, it is anticipated the Organization will adjust the liabilities to the adjudicated or negotiated balance when the matter is resolved.

NOTE 18 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through March 9, 2010, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

SUPPLEMENTARY INFORMATION

NASHVILLE ZOO INC.
SCHEDULES OF PROGRAM EXPENSES
For the years ended December 31, 2009 and 2008

	2009	2008
Salaries	$ 2,965,426	$ 2,975,467
Depreciation	1,573,198	1,518,486
Repairs and maintenance	498,930	570,970
Animal collection	477,053	54,153
Utilities	466,437	513,466
Benefits	445,354	420,483
Animal care	346,329	323,090
Other	270,407	264,445
Insurance	250,219	275,578
Promotions	231,459	278,520
Special events/education	86,520	148,801
Membership development	85,760	137,767
Auto and truck	39,908	71,614
Interest	37,265	59,261
Fees, licenses, dues	27,779	24,802
Freight	5,694	44,086
Loss on disposal of property and equipment	4,133	-
Total program expenses	$ 7,811,871	$ 7,680,989

NASHVILLE ZOO INC.
SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES
For the years ended December 31, 2009 and 2008

	2009	2008
Salaries	$ 417,152	$ 407,342
Bank and investment fees	112,077	92,854
Professional fees	69,152	40,320
Benefits	62,649	57,563
Office supplies	15,655	26,701
Travel and entertainment	10,066	13,834
Postage	5,692	10,685
Recruiting	4,382	2,680
Employee awards	3,000	-
Total management and general expenses	$ 699,825	$ 651,979

NASHVILLE ZOO INC.
SCHEDULES OF FUNDRAISING EXPENSES
For the years ended December 31, 2009 and 2008

	2009	2008
Salaries	$ 138,825	$ 164,412
Special events	57,555	135,292
Development	23,958	10,801
Benefits	20,849	23,234
Total fundraising expenses	$ 241,187	$ 333,739