

NASHVILLE ZOO INC.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

December 31, 2007 and 2006

NASHVILLE ZOO INC.

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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, 2007 and 2006, 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, 2007 and 2006, 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 16 – 18 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 15, 2008

NASHVILLE ZOO INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 841,915	\$ 2,015,128
Accounts receivable	10,430	12,685
Contributions receivable	56,000	35,083
Grant receivable	250,000	-
Prepaid expenses	<u>64,536</u>	<u>93,816</u>
Total current assets	1,222,881	2,156,712
Contributions receivable, net of current portion and discounts	206,538	181,700
Prepaid membership	210,000	-
Investments	13,223,419	12,897,703
Construction in progress	596,679	243,612
Property and equipment - net of accumulated depreciation of \$6,098,949 and \$4,682,847 for 2007 and 2006, respectively	<u>19,910,519</u>	<u>19,769,317</u>
Total assets	<u><u>\$ 35,370,036</u></u>	<u><u>\$ 35,249,044</u></u>
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ 1,035,000	\$ 1,300,000
Accounts payable	265,731	229,870
Accrued expenses	78,717	70,122
Advances from former affiliates	969,051	969,051
Accrued interest - former affiliates	2,882,693	2,882,693
Notes payable	<u>4,992,107</u>	<u>4,992,107</u>
Total current liabilities	<u>10,223,299</u>	<u>10,443,843</u>
Total liabilities	<u>10,223,299</u>	<u>10,443,843</u>
Net assets:		
Unrestricted	11,482,337	11,608,077
Temporarily restricted	1,245,231	1,031,446
Permanently restricted	<u>12,419,169</u>	<u>12,165,678</u>
Total net assets	<u>25,146,737</u>	<u>24,805,201</u>
Total liabilities and net assets	<u><u>\$ 35,370,036</u></u>	<u><u>\$ 35,249,044</u></u>

See accompanying notes.

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Contributions	\$ 512,251	\$ 255,133	\$ 253,491	\$ 1,020,875
Grants	16,246	518,000	-	534,246
Gate admissions	2,799,240	-	-	2,799,240
Vending, special events, and education	1,349,313	-	-	1,349,313
Memberships	1,520,395	-	-	1,520,395
Investment income	1,161,173	-	-	1,161,173
Other	62,015	-	-	62,015
	<u>7,420,633</u>	<u>773,133</u>	<u>253,491</u>	<u>8,447,257</u>
Total public support and revenues				
	7,420,633	773,133	253,491	8,447,257
Net assets released from restrictions	<u>559,348</u>	<u>(559,348)</u>	<u>-</u>	<u>-</u>
	<u>7,979,981</u>	<u>213,785</u>	<u>253,491</u>	<u>8,447,257</u>
Expenses:				
Program	7,097,658	-	-	7,097,658
Management and general	754,903	-	-	754,903
Fundraising	253,160	-	-	253,160
	<u>8,105,721</u>	<u>-</u>	<u>-</u>	<u>8,105,721</u>
Total expenses				
	8,105,721	-	-	8,105,721
Change in net assets	(125,740)	213,785	253,491	341,536
Net assets at beginning of year	<u>11,608,077</u>	<u>1,031,446</u>	<u>12,165,678</u>	<u>24,805,201</u>
Net assets at end of year	<u>\$ 11,482,337</u>	<u>\$ 1,245,231</u>	<u>\$ 12,419,169</u>	<u>\$ 25,146,737</u>

See accompanying notes.

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Contributions	\$ 669,238	\$ 811,285	\$ 400,206	\$ 1,880,729
Grants - Metropolitan Government of Nashville and Davidson County	444,143	-	-	444,143
Gate admissions	2,464,192	-	-	2,464,192
Vending, special events, and education	1,202,644	-	-	1,202,644
Memberships	1,413,833	-	-	1,413,833
Investment income	1,621,480	-	-	1,621,480
Other	14,305	-	-	14,305
	<u>7,829,835</u>	<u>811,285</u>	<u>400,206</u>	<u>9,041,326</u>
Total public support and revenues				
	7,829,835	811,285	400,206	9,041,326
Net assets released from restrictions	<u>1,690,533</u>	<u>(1,690,533)</u>	<u>-</u>	<u>-</u>
	<u>9,520,368</u>	<u>(879,248)</u>	<u>400,206</u>	<u>9,041,326</u>
Expenses:				
Program	6,400,076	-	-	6,400,076
Management and general	705,676	-	-	705,676
Fundraising	336,003	-	-	336,003
	<u>7,441,755</u>	<u>-</u>	<u>-</u>	<u>7,441,755</u>
Total expenses				
	7,441,755	-	-	7,441,755
Change in net assets	2,078,613	(879,248)	400,206	1,599,571
Net assets at beginning of year	<u>9,529,464</u>	<u>1,910,694</u>	<u>11,765,472</u>	<u>23,205,630</u>
Net assets at end of year	<u>\$ 11,608,077</u>	<u>\$ 1,031,446</u>	<u>\$ 12,165,678</u>	<u>\$ 24,805,201</u>

See accompanying notes.

NASHVILLE ZOO INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 341,536	\$ 1,599,571
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,452,592	1,312,083
Gain on disposal of property and equipment	(7,892)	-
Discount on contributions receivable	(6,105)	(15,531)
Contributions restricted for permanent investment	(209,600)	(380,000)
Realized and unrealized gain on investments	(359,026)	(1,027,390)
Property and equipment donation	(93,270)	(288,800)
Donation of corporate stock	(270,733)	(76,136)
Changes in operating assets and liabilities:		
Accounts receivable	2,255	19,200
Contributions receivable	(39,650)	40,166
Grant receivable	(250,000)	3,507,054
Prepaid expenses	(180,720)	(39,924)
Accounts payable	35,861	(344,533)
Accrued expenses	8,595	18,300
Net cash provided by operating activities	<u>423,843</u>	<u>4,324,060</u>
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(1,854,369)	(2,054,306)
Proceeds from disposal of property and equipment	8,670	-
Purchases of investments	(4,336,322)	(3,512,916)
Sale of investments	4,640,365	1,493,217
Net cash used in investing activities	<u>(1,541,656)</u>	<u>(4,074,005)</u>
Cash flows from financing activities:		
Contributions restricted for permanent investment	209,600	627,798
Borrowings under line of credit	1,035,000	550,000
Payments on line of credit	(1,300,000)	(1,455,000)
Payments on notes payable	-	(101,441)
Net cash used in financing activities	<u>(55,400)</u>	<u>(378,643)</u>
Decrease in cash	(1,173,213)	(128,588)
Cash and cash equivalents at beginning of year	<u>2,015,128</u>	<u>2,143,716</u>
Cash and cash equivalents at end of year	<u>\$ 841,915</u>	<u>\$ 2,015,128</u>
Supplemental information:		
Interest paid	<u>\$ 58,880</u>	<u>\$ 109,173</u>
Noncash donation of corporate stock	<u>\$ 270,733</u>	<u>\$ 76,136</u>
Property and equipment donation	<u>\$ 93,270</u>	<u>\$ 288,800</u>

See accompanying notes.

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nashville Zoo Inc. (the “Organization”), was chartered in November 1989 as a Tennessee not-for-profit Corporation to promote environmental and species conservation among Davidson County citizens and visitors by providing an educational, cultural, scientific and recreational experience. 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’s significant accounting policies are as follows:

Financial Statement Presentation

The Organization has prepared its financial statements using the accrual basis of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements for Not-for-Profit Organizations*.” Under SFAS No. 117, 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.

Contributions

The Organization has also adopted Statement of Financial Accounting Standards No. 116, “*Accounting for Contributions Received and Contributions Made*.” In accordance with SFAS No. 116, 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 support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	15 – 40 years
Equipment	3 – 10 years
Vehicles	3 – 8 years

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.

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 is accounted for as revenue in the period sold. No cost is assigned to animals born at the Organization.

Advertising Costs

Advertising costs are generally expensed as incurred. Advertising and promotion expenses totaled \$230,099 and \$213,443 during 2007 and 2006, respectively.

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.

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 12).

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2007 represent unconditional promises to give which are receivable over a period of time. These receivables are deemed to be fully collectible by management.

Receivable in less than one year		\$ 56,000
Receivable in one to five years	220,400	
Less discounts to net present value	<u>(13,862)</u>	
		<u>206,538</u>
Net contributions receivable		<u>\$ 262,538</u>

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, 2007. Substantially all contributions receivable are due for temporarily or permanently restricted purposes.

NOTE 3 – INVESTMENTS

Investments consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Fixed income securities	\$ 1,220,990	\$ 1,164,822
Equity securities	<u>12,002,429</u>	<u>11,732,881</u>
	<u>\$ 13,223,419</u>	<u>\$ 12,897,703</u>

Investment income, including interest and dividends, and realized and unrealized gains and losses for the years ended December 31, 2007 and 2006 totaled \$1,161,173 and \$1,621,480, respectively.

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 3 – INVESTMENTS (Continued)

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.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at December 31:

	<u>2007</u>	<u>2006</u>
Buildings and improvements	\$24,317,189	\$23,048,737
Land	530,000	530,000
Equipment	1,019,505	762,288
Vehicles	<u>142,774</u>	<u>111,139</u>
	26,009,468	24,452,164
Less accumulated depreciation	<u>(6,098,949)</u>	<u>(4,682,847)</u>
Net property and equipment	<u>\$19,910,519</u>	<u>\$19,769,317</u>

Construction in progress at December 31, 2007 and 2006 of \$596,679 and \$243,612, 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 5 – 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:

	<u>2007</u>	<u>2006</u>
Children's zoo	\$ 1,000,000	\$ 1,000,000
Parking lot expansion	224,182	-
Ocelot exhibit	-	8,954
Bamboo Trail graphics	11,468	12,000

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

	<u>2007</u>	<u>2006</u>
Time restrictions	2,000	750
Croft House and Farm	<u>7,581</u>	<u>9,742</u>
	<u>\$ 1,245,231</u>	<u>\$ 1,031,446</u>

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

	<u>2007</u>	<u>2006</u>
Exhibit completed	\$ 41,954	\$ 1,581,647
Purpose restriction satisfied	516,644	101,720
Time restriction satisfied	<u>750</u>	<u>7,166</u>
	<u>\$ 559,348</u>	<u>\$ 1,690,533</u>

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Investments to be held for production of income:		
Ferdowsi endowment	\$ 42,285	\$ 38,794
General endowment	<u>12,376,884</u>	<u>12,126,884</u>
	<u>\$12,419,169</u>	<u>\$12,165,678</u>

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

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
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 16).	\$ 4,992,107	\$ 4,992,107
Less current portion	<u>(4,992,107)</u>	<u>(4,992,107)</u>
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 – LINE OF CREDIT

During 2006, the Organization extended its line of credit, increasing maximum borrowings to \$3,050,000. The line bears interest at a variable rate of LIBOR plus 1% (currently 6.225%) and matures in August 2008. The line is secured by the Organization's endowment accounts. Outstanding balances under the line of credit totaled \$1,035,000 and \$1,300,000 at December 31, 2007 and 2006, respectively.

NOTE 9 – IN-KIND CONTRIBUTIONS

The Organization received contributed goods and services during 2007 and 2006 meeting the requirements for recognition and consisting of the following:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 93,270	\$ -
Exhibit and grounds improvements	-	288,800
Other	-	7,782
Advertising and payroll services	<u>3,600</u>	<u>2,400</u>
	<u>\$ 96,870</u>	<u>\$ 298,982</u>

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 10 – GRANT FROM METROPOLITAN GOVERNMENT

The Organization was awarded two \$5,000,000 matching grants from Metropolitan Government of Nashville and Davidson County (“Metro”) for Metro’s fiscal years 2003 and 2002. The grants, available beginning January 2002, required the Organization to provide matching funding for each dollar provided by Metro with all Metro funds restricted for capital projects. Organization matching funds were generally placed in the Organization’s endowment fund to benefit operations from interest earned. The grant program was suspended in 2004; however, during 2005, an additional \$5,000,000 matching grant was awarded by Metro under substantially the same terms.

Under the grant agreements, Metro reimbursed the Organization for amounts spent towards capital projects including exhibits, improvements, and accreditation expenses retroactively for 2004 and for 2005. During the years ended December 31, 2007 and 2006, the Organization had incurred costs of \$0 and \$444,143, respectively, reimbursed or to be reimbursed by Metro, with reimbursements included in the accompanying statements of activities as grant revenue.

NOTE 11 – CONCENTRATIONS

The Organization maintains its cash in bank deposit accounts at high credit quality institutions. The balances, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

NOTE 12 – RELATED PARTY TRANSACTIONS

The statements of financial position for 2007 and 2006 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, with interest computed on the advances at 8% per year. The balance of the claimed and disputed advances at December 31, 2007 and 2006 totaled \$969,051, with claimed and disputed accrued interest at December 31, 2007 and 2006 of \$677,995. Such advances and interest are the subject of ongoing negotiations between the Organization and its former president (Note 16).

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 13 – LEASE WITH METROPOLITAN GOVERNMENT

During 1997, the Organization executed a lease with Metropolitan Government of Nashville and Davidson County (“Metro”) for 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.

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 these financial statements.

NOTE 14 – 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 one year 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, 2007 and 2006, the Organization did not make any contributions to the Plan.

NOTE 15 – 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, 2012. The Organization will receive fees under this arrangement based on a percentage of gross receipts. Income from the arrangement totaled approximately \$526,400 and \$437,500 for 2007 and 2006, respectively.

The Organization has entered into operating leases for various office equipment. The leases require total annual payments of approximately \$20,200 and extend through 2010.

NOTE 16 – UNCERTAINTY

The Organization’s liabilities include approximately \$5,000,000 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

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 16 – UNCERTAINTY (Continued)

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.

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, 12). 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. While the mediation in 2003 was unsuccessful, negotiations have been and are ongoing. It is anticipated the Organization will adjust the liabilities to the adjudicated or negotiated balance when the matter is resolved.

NOTE 17 – SUBSEQUENT EVENT

Subsequent to December 31, 2007, 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 will be reimbursed for qualifying costs.

SUPPLEMENTARY INFORMATION

NASHVILLE ZOO INC.
SCHEDULES OF PROGRAM EXPENSES
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Salaries	\$ 2,771,704	\$ 2,409,631
Depreciation	1,452,592	1,312,083
Rental and maintenance	459,046	415,278
Utilities	421,652	419,897
Benefits	374,841	309,861
Other	345,268	198,298
Animal care	328,786	271,009
Insurance	314,155	349,773
Promotions	230,099	213,443
Special events/education	110,062	105,803
Membership development	109,320	162,337
Interest	58,880	109,173
Auto and truck	51,281	40,045
Freight	26,943	1,386
Fees, licenses, dues	24,997	25,854
Animal collection	18,032	56,205
	<u> </u>	<u> </u>
Total program expenses	<u>\$ 7,097,658</u>	<u>\$ 6,400,076</u>

NASHVILLE ZOO INC.
SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Salaries	\$ 427,842	\$ 401,938
Professional fees	110,470	89,513
Bank and investment fees	106,359	110,347
Benefits	57,860	51,686
Office supplies	20,613	24,352
Travel and entertainment	16,157	8,795
Postage	13,463	12,304
Recruiting	<u>2,139</u>	<u>6,741</u>
Total management and general expenses	<u>\$ 754,903</u>	<u>\$ 705,676</u>

NASHVILLE ZOO INC.
SCHEDULES OF FUNDRAISING EXPENSES
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Salaries	\$ 138,602	\$ 110,810
Special events	71,071	187,452
Development	24,743	23,492
Benefits	<u>18,744</u>	<u>14,249</u>
Total fundraising expenses	<u><u>\$ 253,160</u></u>	<u><u>\$ 336,003</u></u>