

NASHVILLE ZOO INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2008 and 2007

NASHVILLE ZOO INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nashville Zoo Inc.
Nashville, Tennessee

We have audited the accompanying statement of financial position of Nashville Zoo Inc. (a nonprofit organization) as of December 31, 2008 and 2007, and for 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 above present fairly, in all material respects, the financial position of Nashville Zoo Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009 on our consideration of Nashville Zoo Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Nashville Zoo Inc. taken as a whole. The schedules on pages 16 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in the audit. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Frasier, Dean + Howard, PLLC

March 17, 2009

NASHVILLE ZOO INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 153,630	\$ 841,915
Accounts receivable	15,083	10,430
Contributions receivable	151,000	56,000
Grant receivable	-	250,000
Prepaid expenses	<u>76,470</u>	<u>64,536</u>
Total current assets	396,183	1,222,881
Contributions receivable, net of current portion and discounts	289,239	206,538
Prepaid membership	189,000	210,000
Investments	9,417,452	13,223,419
Construction in progress	1,545,911	596,679
Property and equipment - net of accumulated depreciation of \$7,617,435 and \$6,098,949 for 2008 and 2007, respectively	<u>19,373,323</u>	<u>19,910,519</u>
Total assets	<u><u>\$ 31,211,108</u></u>	<u><u>\$ 35,370,036</u></u>
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ 2,035,000	\$ 1,035,000
Accounts payable	193,423	265,731
Accrued expenses	144,971	78,717
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>11,217,245</u>	<u>10,223,299</u>
Total liabilities	<u>11,217,245</u>	<u>10,223,299</u>
Net assets:		
Unrestricted	6,332,522	11,482,337
Temporarily restricted	1,220,666	1,245,231
Permanently restricted	<u>12,440,675</u>	<u>12,419,169</u>
Total net assets	<u>19,993,863</u>	<u>25,146,737</u>
Total liabilities and net assets	<u><u>\$ 31,211,108</u></u>	<u><u>\$ 35,370,036</u></u>

See accompanying notes.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Contributions	\$ 476,148	\$ 435,500	\$ 21,506	\$ 933,154
Grants	610,706	-	-	610,706
Gate admissions	2,802,707	-	-	2,802,707
Vending, special events, and education	1,449,281	-	-	1,449,281
Memberships	1,574,210	-	-	1,574,210
Investment income (loss)	(3,950,692)	-	-	(3,950,692)
Other	94,467	-	-	94,467
	<u>3,056,827</u>	<u>435,500</u>	<u>21,506</u>	<u>3,513,833</u>
Total public support and revenues				
	3,056,827	435,500	21,506	3,513,833
Net assets released from restrictions	<u>460,065</u>	<u>(460,065)</u>	<u>-</u>	<u>-</u>
	<u>3,516,892</u>	<u>(24,565)</u>	<u>21,506</u>	<u>3,513,833</u>
Expenses:				
Program	7,680,989	-	-	7,680,989
Management and general	651,979	-	-	651,979
Fundraising	333,739	-	-	333,739
	<u>8,666,707</u>	<u>-</u>	<u>-</u>	<u>8,666,707</u>
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	<u>11,482,337</u>	<u>1,245,231</u>	<u>12,419,169</u>	<u>25,146,737</u>
Net assets at end of year	<u>\$ 6,332,522</u>	<u>\$ 1,220,666</u>	<u>\$ 12,440,675</u>	<u>\$ 19,993,863</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
	<hr/>	<hr/>	<hr/>	<hr/>
Total public support and revenues	7,420,633	773,133	253,491	8,447,257
Net assets released from restrictions	<hr/>	<hr/>	<hr/>	<hr/>
	559,348	(559,348)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7,979,981	213,785	253,491	8,447,257
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Program	7,097,658	-	-	7,097,658
Management and general	754,903	-	-	754,903
Fundraising	253,160	-	-	253,160
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	8,105,721	-	-	8,105,721
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(125,740)	213,785	253,491	341,536
Net assets at beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	11,608,077	1,031,446	12,165,678	24,805,201
Net assets at end of year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 11,482,337	\$ 1,245,231	\$ 12,419,169	\$ 25,146,737

See accompanying notes.

NASHVILLE ZOO INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (5,152,874)	\$ 341,536
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,518,486	1,452,592
Gain on disposal of property and equipment	-	(7,892)
Discount on contributions receivable	(7,901)	(6,105)
Contributions restricted for permanent investment	(45,200)	(209,600)
Realized and unrealized loss (gain) on investments	4,270,478	(359,026)
Donated property and equipment	(15,000)	(93,270)
Donation of corporate stock	-	(270,733)
Changes in operating assets and liabilities:		
Accounts receivable	(4,653)	2,255
Contributions receivable	(169,800)	(39,650)
Grant receivable	250,000	(250,000)
Prepaid expenses	9,066	(180,720)
Accounts payable	(72,308)	35,861
Accrued expenses	66,254	8,595
Net cash provided by operating activities	<u>646,548</u>	<u>423,843</u>
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(1,915,522)	(1,854,369)
Proceeds from disposal of property and equipment	-	8,670
Purchases of investments	(3,268,003)	(4,336,322)
Sale of investments	2,803,492	4,640,365
Net cash used in investing activities	<u>(2,380,033)</u>	<u>(1,541,656)</u>
Cash flows from financing activities:		
Contributions restricted for permanent investment	45,200	209,600
Borrowings under line of credit	1,350,000	1,035,000
Payments on line of credit	(350,000)	(1,300,000)
Net cash provided by (used in) financing activities	<u>1,045,200</u>	<u>(55,400)</u>
Decrease in cash	(688,285)	(1,173,213)
Cash and cash equivalents at beginning of year	<u>841,915</u>	<u>2,015,128</u>
Cash and cash equivalents at end of year	<u>\$ 153,630</u>	<u>\$ 841,915</u>
Supplemental information:		
Interest paid	<u>\$ 59,261</u>	<u>\$ 58,880</u>
Noncash donation of corporate stock	<u>\$ -</u>	<u>\$ 270,733</u>
Donated property and equipment	<u>\$ 15,000</u>	<u>\$ 93,270</u>

See accompanying notes.

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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:

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 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, 2008 and 2007

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 \$278,520 and \$230,099 during 2008 and 2007, 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, 2008 and 2007

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, 2008 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		\$ 151,000
Receivable in one to five years	295,200	
Less discount to net present value	<u>(5,961)</u>	
		<u>289,239</u>
Net contributions receivable		<u>\$ 440,239</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, 2008. Substantially all contributions receivable are due for temporarily or permanently restricted purposes.

NOTE 3 – INVESTMENTS

Investments consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Fixed income securities	\$ 1,241,227	\$ 1,220,990
Equity securities	<u>8,176,225</u>	<u>12,002,429</u>
	<u>\$ 9,417,452</u>	<u>\$ 13,223,419</u>

Investment (loss) income, including interest and dividends, and realized and unrealized gains and losses for the years ended December 31, 2008 and 2007 totaled (\$3,950,692) and \$1,161,173, respectively.

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

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>2008</u>	<u>2007</u>
Buildings and improvements	\$25,219,383	\$24,317,189
Land	530,000	530,000
Equipment	1,098,601	1,019,505
Vehicles	<u>142,774</u>	<u>142,774</u>
	26,990,758	26,009,468
Less accumulated depreciation	<u>(7,617,435)</u>	<u>(6,098,949)</u>
Net property and equipment	<u>\$19,373,323</u>	<u>\$19,910,519</u>

Construction in progress at December 31, 2008 and 2007 of \$1,545,911 and \$596,679, 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>2008</u>	<u>2007</u>
Children's zoo	\$ 1,000,000	\$ 1,000,000
Parking lot expansion	-	224,182
Time restrictions	200,000	2,000
Bamboo Trail graphics	9,518	11,468

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

	<u>2008</u>	<u>2007</u>
Croft House and Farm	5,148	7,581
Other	<u>6,000</u>	<u>-</u>
	<u>\$ 1,220,666</u>	<u>\$ 1,245,231</u>

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

	<u>2008</u>	<u>2007</u>
Purpose restriction satisfied	\$ 460,065	\$ 516,644
Exhibit completed	-	41,954
Time restriction satisfied	<u>-</u>	<u>750</u>
	<u>\$ 460,065</u>	<u>\$ 559,348</u>

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Investments to be held for production of income:		
Ferdowsi endowment	\$ 29,786	\$ 42,285
General endowment	<u>12,410,889</u>	<u>12,376,884</u>
	<u>\$12,440,675</u>	<u>\$12,419,169</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, 2008 and 2007

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2008</u>	<u>2007</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 2007, 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 1.436%) and matures in August 2009. The line is secured by the Organization's endowment accounts. Outstanding balances under the line of credit totaled \$2,035,000 and \$1,035,000 at December 31, 2008 and 2007, respectively.

NOTE 9 – IN-KIND CONTRIBUTIONS

The Organization received contributed goods and services during 2008 and 2007 meeting the requirements for recognition and consisting of the following:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 15,000	\$ 93,270
T-shirts for 5k run	30,000	-
Other	4,046	-
Advertising and payroll services	<u>4,800</u>	<u>3,600</u>
	<u>\$ 53,846</u>	<u>\$ 96,870</u>

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 10 – STATE OF TENNESSEE GRANT

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 will be reimbursed for qualifying costs. Reimbursed expenses totaled \$603,656 during 2008.

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 2008 and 2007 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, 2008 and 2007 totaled \$969,051, with claimed and disputed accrued interest at December 31, 2008 and 2007 of \$677,995. Such advances and interest are the subject of ongoing negotiations between the Organization and its former president (Note 16).

NOTE 13 – LEASE WITH METROPOLITAN GOVERNMENT

During 1997, the Organization executed a lease with the 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 the financial statements.

NASHVILLE ZOO INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

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 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, 2008 and 2007, 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 \$530,600 and \$526,400 for 2008 and 2007, respectively.

The Organization has entered into operating leases for various office equipment. The leases require total annual payments of approximately \$25,000 and extend through 2013.

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 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. As 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.

SUPPLEMENTARY INFORMATION

NASHVILLE ZOO INC.
SCHEDULES OF PROGRAM EXPENSES
For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Salaries	\$ 2,975,467	\$ 2,771,704
Depreciation	1,518,486	1,452,592
Repairs and maintenance	570,970	459,046
Utilities	513,466	421,652
Benefits	420,483	374,841
Animal care	323,090	328,786
Promotions	278,520	230,099
Insurance	275,578	314,155
Other	264,445	345,268
Special events/education	148,801	110,062
Membership development	137,767	109,320
Auto and truck	71,614	51,281
Interest	59,261	58,880
Animal collection	54,153	18,032
Freight	44,086	26,943
Fees, licenses, dues	24,802	24,997
	<u>\$ 7,680,989</u>	<u>\$ 7,097,658</u>
Total program expenses		

NASHVILLE ZOO INC.
SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES
For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Salaries	\$ 407,342	\$ 427,842
Bank and investment fees	92,854	106,359
Benefits	57,563	57,860
Professional fees	40,320	110,470
Office supplies	26,701	20,613
Travel and entertainment	13,834	16,157
Postage	10,685	13,463
Recruiting	<u>2,680</u>	<u>2,139</u>
Total management and general expenses	<u>\$ 651,979</u>	<u>\$ 754,903</u>

NASHVILLE ZOO INC.
SCHEDULES OF FUNDRAISING EXPENSES
For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Salaries	\$ 164,412	\$ 138,602
Special events	135,292	71,071
Benefits	23,234	18,744
Development	<u>10,801</u>	<u>24,743</u>
Total fundraising expenses	<u><u>\$ 333,739</u></u>	<u><u>\$ 253,160</u></u>

NASHVILLE ZOO, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the year ended December 31, 2008

<u>Grantor/Program Name</u>	<u>State Grant Number</u>	<u>Receivable at December 31, 2007</u>	<u>Expenditures/ Revenue Recognized</u>	<u>Cash Receipts</u>	<u>Receivable at December 31, 2008</u>
State of Tennessee, Department of Finance and Administration	SBC Project No. 529/000-05-2007	\$ -	\$ 603,656	\$ 603,656	\$ -
		\$ -	\$ 603,656	\$ 603,656	\$ -

NASHVILLE ZOO INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
December 31, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Awards (the “Schedule”) summarizes the expenditures of the Organization under state programs for the year ended December 31, 2008. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Organization.

For purposes of the Schedule, state awards include all grants, contracts and similar agreements entered into directly between the Organization and departments of state government.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE SCHEDULE

For purposes of the Schedule, expenditures for state programs are recognized on the accrual basis of accounting.

Grant revenues are recognized when the related expenditures are incurred. Expenditures were incurred for parking lot expansion.