

**NASHVILLE ZOO INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**December 31, 2014 and 2013**

**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 financial statements of Nashville Zoo Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Zoo Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 21 – 23 is presented for purposes of additional analysis and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Frasier, Dean & Howard, PLLC*

March 9, 2015

**NASHVILLE ZOO INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,135,968	\$ 5,217,300
Accounts receivable	10,773	27,914
Grant receivable	184,599	-
Contributions receivable, net	4,613,740	1,145,500
Prepaid expenses and other assets	32,076	36,626
Total current assets	12,977,156	6,427,340
Contributions receivable, net of current portion	1,518,531	31,830
Prepaid membership	63,000	84,000
Investments	15,959,307	14,799,911
Construction in progress	2,401,336	356,163
Property and equipment - net of accumulated depreciation of \$18,233,247 and \$16,299,253 for 2014 and 2013, respectively	16,524,348	17,506,952
Total assets	<u>\$ 49,443,678</u>	<u>\$ 39,206,196</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 540,497	\$ 270,880
Accrued expenses	242,130	202,293
Note payable - related party	-	50,000
Deferred revenue	15,113	36,994
Total liabilities	797,740	560,167
Net assets:		
Unrestricted	23,228,529	21,204,287
Temporarily restricted	12,999,558	4,985,096
Permanently restricted	12,417,851	12,456,646
Total net assets	48,645,938	38,646,029
Total liabilities and net assets	<u>\$ 49,443,678</u>	<u>\$ 39,206,196</u>

See accompanying notes.

**NASHVILLE ZOO INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Contributions	\$ 904,912	\$ 8,646,600	\$ 1,000	\$ 9,552,512
Gate admissions	4,394,717	-	-	4,394,717
Park income, special events, and education	3,782,681	-	-	3,782,681
Memberships	2,916,217	-	-	2,916,217
Grants	911,548	-	-	911,548
Investment gain	775,706	-	-	775,706
Other	267,183	-	-	267,183
	<u>13,952,964</u>	<u>8,646,600</u>	<u>1,000</u>	<u>22,600,564</u>
Total public support and revenues				
	13,952,964	8,646,600	1,000	22,600,564
Net assets released from restrictions	<u>671,933</u>	<u>(632,138)</u>	<u>(39,795)</u>	<u>-</u>
	<u>14,624,897</u>	<u>8,014,462</u>	<u>(38,795)</u>	<u>22,600,564</u>
Expenses:				
Program	11,004,010	-	-	11,004,010
Management and general	911,214	-	-	911,214
Fundraising	685,431	-	-	685,431
	<u>12,600,655</u>	<u>-</u>	<u>-</u>	<u>12,600,655</u>
Total expenses				
	12,600,655	-	-	12,600,655
Change in net assets	2,024,242	8,014,462	(38,795)	9,999,909
Net assets at beginning of year	<u>21,204,287</u>	<u>4,985,096</u>	<u>12,456,646</u>	<u>38,646,029</u>
Net assets at end of year	<u>\$ 23,228,529</u>	<u>\$ 12,999,558</u>	<u>\$ 12,417,851</u>	<u>\$ 48,645,938</u>

See accompanying notes.

**NASHVILLE ZOO INC.**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Contributions	\$ 664,590	\$ 4,092,525	\$ -	\$ 4,757,115
Gate admissions	3,873,727	-	-	3,873,727
Park income, special events, and education	2,819,944	-	-	2,819,944
Memberships	2,678,473	-	-	2,678,473
Investment gain	2,014,267	-	-	2,014,267
Grants	306,707	-	-	306,707
Other	253,071	-	-	253,071
	<u>12,610,779</u>	<u>4,092,525</u>	<u>-</u>	<u>16,703,304</u>
Total public support and revenues				
	12,610,779	4,092,525	-	16,703,304
Net assets released from restrictions	<u>444,938</u>	<u>(444,938)</u>	<u>-</u>	<u>-</u>
	<u>13,055,717</u>	<u>3,647,587</u>	<u>-</u>	<u>16,703,304</u>
Expenses:				
Program	9,554,069	-	-	9,554,069
Management and general	864,532	-	-	864,532
Fundraising	488,417	-	-	488,417
	<u>10,907,018</u>	<u>-</u>	<u>-</u>	<u>10,907,018</u>
Total expenses				
	10,907,018	-	-	10,907,018
Change in net assets	2,148,699	3,647,587	-	5,796,286
Net assets at beginning of year	<u>19,055,588</u>	<u>1,337,509</u>	<u>12,456,646</u>	<u>32,849,743</u>
Net assets at end of year	<u>\$ 21,204,287</u>	<u>\$ 4,985,096</u>	<u>\$ 12,456,646</u>	<u>\$ 38,646,029</u>

See accompanying notes.

**NASHVILLE ZOO INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 9,999,909	\$ 5,796,286
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,005,667	1,926,443
Realized and unrealized gain on investments	(262,041)	(1,609,799)
Discount on contributions receivable	106,299	3,170
Contributions restricted for long-term purposes	(6,300,000)	(4,040,000)
Grants received for long-term purposes	(881,922)	(304,487)
Receipt of donated stock	(14,615)	-
Changes in operating assets and liabilities:		
Accounts receivable	17,141	(16,072)
Contributions receivable for operations	(13,240)	3,576
Prepaid expenses and other assets	4,550	34,876
Accounts payable	269,617	92,286
Accrued expenses	39,837	(166,571)
Deferred revenue	(21,881)	(26,356)
Net cash provided by operating activities	<u>4,949,321</u>	<u>1,693,352</u>
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(3,047,236)	(2,011,107)
Purchases of investments	(7,904,180)	(2,046,425)
Sales of investments	7,021,440	1,627,218
Net cash used in investing activities	<u>(3,929,976)</u>	<u>(2,430,314)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	1,252,000	2,993,000
Grants received for long-term purposes	697,323	327,837
Payments on note payable - related party	(50,000)	-
Borrowings under line of credit	-	-
Payments on line of credit	-	-
Net cash provided by financing activities	<u>1,899,323</u>	<u>3,320,837</u>
Increase in cash and cash equivalents	2,918,668	2,583,875
Cash and cash equivalents at beginning of year	5,217,300	2,633,425
Cash and cash equivalents at end of year	<u>\$ 8,135,968</u>	<u>\$ 5,217,300</u>
Supplemental schedule of noncash investing and financing activities:		
Receipt of donated stock	<u>\$ 14,615</u>	<u>\$ -</u>

See accompanying notes.



**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nashville Zoo Inc. (the “Organization”) was chartered in November 1989 as a Tennessee nonprofit 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 2014.

The Organization’s significant accounting policies are as follows:

**Financial Statement Presentation**

In accordance with the Financial Accounting Standards Board Accounting Standards Codification (“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.

**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. Conditional contributions are recognized when the specified donor conditions have been met.

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**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.

**Property and Equipment**

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. 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.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

The Organization follows 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 guidance 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 remaining open for examination include the years ended December 31, 2011 through 2014.

**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.

**Advertising Costs**

Advertising costs are generally expensed as incurred. Advertising and promotion expenses totaled \$153,946 and \$147,067 during 2014 and 2013, respectively.

**Reclassifications**

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

The Organization evaluated subsequent events through March 9, 2015, 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.

**NOTE 2 – CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are due from individuals, foundations, and corporations located in the Middle Tennessee area and are as follows at December 31:

	<u>2014</u>	<u>2013</u>
Contributions receivable	\$ 6,241,740	\$ 1,180,500
Less: discount on contributions receivable	<u>(109,469)</u>	<u>(3,170)</u>
Net contributions receivable	<u>\$ 6,132,271</u>	<u>\$ 1,177,330</u>

The discount rate used to determine the present value of contributions receivable was 3.25% at December 31, 2014 and 2013. Balances of contributions receivable in less than one year are considered to approximate fair value.

Contributions receivable are scheduled to be received as follows at December 31, 2014:

Receivable in less than one year, net	\$ 4,613,740
Receivable in one to five years, net	<u>1,518,531</u>
	<u>\$ 6,132,271</u>

Contributions receivable are considered fully collectible and no allowance for doubtful accounts has been provided. Additionally, 65% of the Organization's contributions receivable at December 31, 2014, are due from one donor.

**NOTE 3 – 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).

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 3 – 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. There were no changes in valuation methodologies during 2014 or 2013. 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.

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

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)**

	<b>2014</b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Public Equity:				
Large cap U.S. equity	\$ 5,080,931	\$ -	\$ -	\$ 5,080,931
International equity	2,252,755	-	-	2,252,755
Small/mid cap value fund	906,522	-	-	906,522
Small/mid cap growth fund	717,957	-	-	717,957
Equity opportunity	669,406	-	-	669,406
Master limited partnerships	268,840	-	-	268,840
World allocation	<u>239,661</u>	<u>-</u>	<u>-</u>	<u>239,661</u>
Total public equity	<u>10,136,072</u>	<u>-</u>	<u>-</u>	<u>10,136,072</u>
Fixed income:				
Intermediate term	1,318,519	-	-	1,318,519
Core strategies	957,104	-	-	957,104
Credit opportunity	569,972	-	-	569,972
Short duration	781,921	-	-	781,921
High yield strategies	<u>252,582</u>	<u>-</u>	<u>-</u>	<u>252,582</u>
Total fixed income	<u>3,880,098</u>	<u>-</u>	<u>-</u>	<u>3,880,098</u>
Other investments:				
Multi-strategy	1,401,078	-	-	1,401,078
Private equity	541,909	-	-	541,909
Hedge and low volatility strategies	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
Total other investments	<u>1,943,137</u>	<u>-</u>	<u>-</u>	<u>1,943,137</u>
Total assets at fair value	<u>\$15,959,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,959,307</u>

	<b>2013</b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Public Equity:				
Large cap U.S. equity	\$ 4,390,960	\$ -	\$ -	\$ 4,390,960
International equity	1,782,984	-	-	1,782,984
Small/mid cap value fund	845,781	-	-	845,781
Small/mid cap growth fund	707,195	-	-	707,195
Master limited partnerships	570,383	-	-	570,383
Equity opportunity	<u>560,985</u>	<u>-</u>	<u>-</u>	<u>560,985</u>
Total public equity	<u>8,858,288</u>	<u>-</u>	<u>-</u>	<u>8,858,288</u>

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)**

Fixed income:

Core strategies	2,216,050	-	-	2,216,050
Credit opportunity	620,720	-	-	620,720
Short duration	464,868	-	-	464,868
High yield strategies	<u>261,829</u>	<u>-</u>	<u>-</u>	<u>261,829</u>
Total fixed income	<u>3,563,467</u>	<u>-</u>	<u>-</u>	<u>3,563,467</u>

Other investments:

Hedge and low volatility strategies	1,813,813	-	-	1,813,813
Private equity	433,309	-	-	433,309
Commodities	<u>131,034</u>	<u>-</u>	<u>-</u>	<u>131,034</u>
Total other investments	<u>2,378,156</u>	<u>-</u>	<u>-</u>	<u>2,378,156</u>

Total assets at fair value	<u>\$14,799,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,799,911</u>
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**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows at December 31:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 32,125,370	\$ 31,241,052
Land	200,000	200,000
Equipment	1,964,412	1,929,865
Vehicles	<u>467,813</u>	<u>435,288</u>
	34,757,595	33,806,205
Less accumulated depreciation	<u>(18,233,247)</u>	<u>(16,299,253)</u>
Net property and equipment	<u>\$ 16,524,348</u>	<u>\$ 17,506,952</u>

Construction in progress at December 31, 2014 and 2013, of \$2,401,336 and \$356,163, respectively, represents ongoing construction of various animal exhibits and infrastructure as follows:

	<u>2014</u>	<u>2013</u>
Animal exhibits	\$ 849,753	\$ 199,926
Infrastructure	<u>1,551,583</u>	<u>156,237</u>
	<u>\$ 2,401,336</u>	<u>\$ 356,163</u>

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 5 – LINE OF CREDIT**

During 2013, the Organization entered into a line of credit agreement with its principal depository, which provided for maximum borrowings of \$1,500,000 and matured on September 15, 2014. The note evidencing the arrangement accrued interest at a variable rate of LIBOR plus 1.75% and was secured by certain Organization investment accounts. During 2014, the note was renewed to extend the current maturity date to September 14, 2015. There were no outstanding borrowings under the line of credit as of December 31, 2014 and 2013.

**NOTE 6 – NOTE PAYABLE – RELATED PARTY**

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, 2014, \$450,000 has been paid related to the agreement. The outstanding balance at December 31, 2013 totaling \$50,000 is reflected in the accompanying 2013 statement of financial position as note payable – related party. This amount was paid in full during 2014.

**NOTE 7 – 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>2014</u>	<u>2013</u>
Capital campaign	\$ 4,300,000	\$ 70,000
Andean bear exhibit	3,243,379	577,770
Veterinary hospital	1,974,896	2,000,000
Children's zoo	1,000,000	1,000,000
Rhino exhibit	1,000,000	-
Spider monkey exhibit	728,696	684,544
Africa	528,175	500,000
Other	59,708	5,887
Landscaping	56,212	56,212
Kangaroo exhibit	50,000	-
Education and technology	35,945	15,935
Lorikeet Landing upgrades	17,568	2,568
Bamboo Trail graphics	2,518	9,518
Autism maps	2,461	-
Cassowary exhibit	-	50,000
Tortoise exhibit	-	12,662
	<u>\$ 12,999,558</u>	<u>\$ 4,985,096</u>



**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)**

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

	<u>2014</u>	<u>2013</u>
Purpose restriction satisfied	\$ <u>632,138</u>	\$ <u>444,938</u>

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>2014</u>	<u>2013</u>
Investments to be held for production of income:		
General endowment	\$ <u>12,417,851</u>	\$ <u>12,456,646</u>

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 accounting principles generally accepted in the United States of America, 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, 2014:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,				
beginning of year	\$ 2,562,998	\$ -	\$ 12,456,646	\$ 15,019,644
Contributions	1,020,000	-	1,000	1,021,000
Transfer of amounts to unrestricted	39,795	-	(39,795)	-
Investment return:				
Net appreciation (realized and unrealized)	<u>694,730</u>	<u>-</u>	<u>-</u>	<u>694,730</u>
Endowment net assets, end of year	<u>\$ 4,317,523</u>	<u>\$ -</u>	<u>\$ 12,417,851</u>	<u>\$ 16,735,374</u>

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS (Continued)**

**Changes in Endowment Net Assets for the fiscal year ended December 31, 2013:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Endowment net assets, beginning of year	\$ 560,976	\$ -	\$ 12,456,646	\$ 13,017,622
Investment return:				
Net appreciation (realized and unrealized)	<u>2,002,022</u>	<u>-</u>	<u>-</u>	<u>2,002,022</u>
Endowment net assets, end of year	<u>\$ 2,562,998</u>	<u>\$ -</u>	<u>\$ 12,456,646</u>	<u>\$ 15,019,644</u>

**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 accounting principles generally accepted in the United States of America, there were no deficiencies of this nature at December 31, 2014 or 2013.

**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. 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.

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS (Continued)**

**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, as necessary, 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 9 – IN-KIND CONTRIBUTIONS**

The Organization received contributed professional and payroll services during 2014 and 2013 meeting the requirements for recognition totaling \$9,443 and \$7,200, respectively.

**NOTE 10 – GOVERNMENT GRANTS**

During 2011, the Organization received a grant from the Metropolitan Government of Nashville and Davidson County ("Metro") totaling \$265,000. Under the terms of the grant, the Organization was reimbursed for expenditures for required materials. For the year ended December 31, 2012, the Organization recorded a receivable for \$23,350 under this agreement, which was received during 2013. For the year ended December 31, 2013, the Organization received an additional \$241,650 under this agreement.

During 2013, the Organization received a grant from Metro totaling \$5,000,000 to be used for construction, renovation, and improvements. For the years ended December 31, 2014 and 2013, the Organization recognized grant revenue totaling \$746,828 and \$62,837, respectively, under this agreement predominantly for the new ticket village and other building and infrastructure projects. Remaining grant funds are expected to be recognized and received in future years. Amounts receivable under this grant agreement totaled \$170,761 at December 31, 2014 and is included within grants receivable in the accompanying 2014 statement of financial position. There were no amounts receivable under this grant at December 31, 2013.

**NASHVILLE ZOO INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2014 and 2013**

**NOTE 10 – GOVERNMENT GRANTS (Continued)**

During 2014, the Organization received a grant from the State of Tennessee totaling \$200,000. Under the terms of the grant, the Organization is reimbursed for expenditures related to park improvements. For the year ended December 31, 2014, the Organization recognized grant revenue totaling \$49,694 under this grant. Amounts receivable under this grant totaled \$13,838 at December 31, 2014, and is included within grants receivable in the accompanying 2014 statement of financial position.

During 2013, the Organization received a grant from the State of Tennessee totaling \$85,400. Under the terms of the grant, the Organization is reimbursed for expenditures related to its watershed management plan implementation. For the year ended December 31, 2014, the Organization recognized grant revenue totaling \$85,400 under this grant.

**NOTE 11 – 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 approximately \$7,100,000 and \$4,700,000 at December 31, 2014 and 2013, respectively. 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 and cash equivalents.

During 2013, the Organization received a pledge of \$2,000,000 of which \$1,000,000 was outstanding at December 31, 2013. This comprised approximately 12% of total public support and revenues. This donor has also conditionally pledged up to an additional \$2,000,000 as a challenge matching contribution for like amounts of funds raised in 2015 and 2016 by the Organization. The match is limited to \$1,000,000 for each year. The conditional contribution has not been recorded within the accompanying financial statements.

During 2014, the Organization was pledged a \$4,000,000 contribution which was outstanding at December 31, 2014. This comprised approximately 18% of total public support and revenues.

**NOTE 12 – LEASES**

During 1997, the Organization executed a lease with Metro 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 and required a 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, 2014 and 2013**

**NOTE 12 – LEASES (Continued)**

The Organization has also entered into operating leases for various office equipment. The leases require total annual payments of approximately \$1,180 and extend through 2017.

**NOTE 13 – RETIREMENT PLANS**

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 did 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, 2014 and 2013, the Organization did not make any contributions to the Plan. During 2014, the Organization’s Board of Directors approved an amendment to the Plan to match 50% of employee contributions up to 3%. This amendment is scheduled to begin in July 2015.

During 2010, the Organization’s Board of Directors approved an additional retirement fund for key employees. During the years ended December 31, 2014 and 2013, pension fund expense totaled \$24,448 and \$19,929, respectively, related to this fund. Amounts reflected in accrued expenses relating to the arrangement totaled approximately \$66,000 and \$60,000 at December 31, 2014 and 2013, respectively.

**NOTE 14 – 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 \$871,000 and \$791,000 for 2014 and 2013, respectively.

## **SUPPLEMENTARY INFORMATION**

**NASHVILLE ZOO INC.**  
**SCHEDULES OF PROGRAM EXPENSES**  
**For the years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Salaries	\$ 4,477,288	\$ 3,995,220
Depreciation	1,984,667	1,905,443
Repairs and maintenance	836,038	634,749
Utilities	659,633	594,684
Other	632,496	528,255
Benefits	631,318	555,833
Animal care	519,518	484,416
Special events/education	500,409	136,410
Insurance	255,257	229,232
Promotions	142,741	134,917
Auto and truck	83,986	75,405
Membership development	83,704	94,596
Parking expenses	63,986	59,092
Fees, licenses, and dues	59,128	49,302
Animal collection	56,926	59,206
Freight	<u>16,915</u>	<u>17,309</u>
Total program expenses	<u><u>\$ 11,004,010</u></u>	<u><u>\$ 9,554,069</u></u>

**NASHVILLE ZOO INC.**  
**SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES**  
**For the years ended December 31, 2014 and 2013**

	<u><b>2014</b></u>	<u><b>2013</b></u>
Salaries	\$ 493,992	\$ 519,947
Bank and investment fees	199,539	170,825
Benefits	94,103	93,915
Professional fees	74,314	40,240
Office supplies	16,927	21,193
Recruiting	12,824	1,996
Travel and entertainment	11,581	8,872
Postage	7,759	7,012
Employee awards	<u>175</u>	<u>532</u>
Total management and general expenses	<u><u>\$ 911,214</u></u>	<u><u>\$ 864,532</u></u>



**NASHVILLE ZOO INC.**  
**SCHEDULES OF FUNDRAISING EXPENSES**  
**For the years ended December 31, 2014 and 2013**

	<u><b>2014</b></u>	<u><b>2013</b></u>
Salaries	\$ 315,994	\$ 251,628
Special events	259,627	120,568
Benefits	44,557	35,008
Development	33,048	48,063
Amortization	21,000	21,000
Promotions	<u>11,205</u>	<u>12,150</u>
 Total fundraising expenses	 <u><u>\$ 685,431</u></u>	 <u><u>\$ 488,417</u></u>