

NASHVILLE ZOO INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

As of and for the Years Ended December 31, 2018 and 2017

And Report of Independent Auditor

NASHVILLE ZOO INC.

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Report of Independent Auditor

To the Board of Directors
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, 2018 and 2017, and the related statements of activities, functional expenses, 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 from 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, 2018 and 2017, 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.

Changes in Financial Statement Presentation and Correction of an Error

As discussed in Note 1, Nashville Zoo Inc. adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, a certain error resulting in understatement of assets previously reported for grants receivable and related revenue as of December 31, 2017 was discovered by management of Nashville Zoo Inc. during the current year. Accordingly, Nashville Zoo Inc. restated grants revenue, grants receivable and net assets at December 31, 2017 and for the year then ended in order to properly state amounts receivable and revenue under a grant arrangement at that date and for the year then ended. Our opinion is not modified with respect to that matter.

Cheng Bekant LLP

Nashville, Tennessee
May 24, 2019

NASHVILLE ZOO INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017 (as restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 14,605,137	\$ 20,310,692
Grant receivable	261,254	2,301,130
Contributions receivable, net	1,350,997	2,179,845
Prepaid expenses and other assets	539,264	267,623
Total Current Assets	16,756,652	25,059,290
Contributions receivable, net of current portion	5,631,317	6,672,290
Prepaid membership	41,860	20,593
Investments	16,618,073	17,396,346
Construction in progress	6,951,139	18,096,490
Property and equipment, net of accumulated depreciation of \$29,245,256 and \$25,657,657 for 2018 and 2017, respectively	57,504,414	32,814,611
Total Assets	\$ 103,503,455	\$ 100,059,620
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,470,558	\$ 2,599,697
Accrued expenses	507,867	374,912
Deferred revenue	713,288	454,538
Total Current Liabilities	2,691,713	3,429,147
Deferred revenue, concessionaire	869,250	965,833
Deferred compensation	-	23,857
Total Liabilities	3,560,963	4,418,837
Net Assets:		
Without donor restrictions	70,825,289	59,188,409
With donor restrictions	29,117,203	36,452,374
Total Net Assets	99,942,492	95,640,783
Total Liabilities and Net Assets	\$ 103,503,455	\$ 100,059,620

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Gate admissions	\$ 5,850,299	\$ -	\$ 5,850,299
Grants	4,270,353	-	4,270,353
Park income and events	4,829,728	-	4,829,728
Memberships	3,540,057	-	3,540,057
Contributions	654,048	2,466,061	3,120,109
Special events	1,538,950	-	1,538,950
Other	429,645	-	429,645
Education	408,334	-	408,334
Investment loss	(693,915)	-	(693,915)
Total Public Support and Revenues	20,827,499	2,466,061	23,293,560
Net assets released from restrictions	9,801,232	(9,801,232)	-
	<u>30,628,731</u>	<u>(7,335,171)</u>	<u>23,293,560</u>
Expenses:			
Program	15,930,642	-	15,930,642
Management and general	1,940,697	-	1,940,697
Fundraising	1,120,512	-	1,120,512
Total Expenses	<u>18,991,851</u>	<u>-</u>	<u>18,991,851</u>
Change in net assets	11,636,880	(7,335,171)	4,301,709
Net assets, beginning of year (as restated)	<u>59,188,409</u>	<u>36,452,374</u>	<u>95,640,783</u>
Net assets, end of year	<u>\$ 70,825,289</u>	<u>\$ 29,117,203</u>	<u>\$ 99,942,492</u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES (AS RESTATED)

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions	\$ 1,839,550	\$ 8,851,048	\$ 10,690,598
Gate admissions	5,690,636	-	5,690,636
Grants	6,156,836	-	6,156,836
Park income and events	4,000,160	-	4,000,160
Memberships	3,194,935	-	3,194,935
Investment gain	2,329,636	-	2,329,636
Special events	1,496,105	-	1,496,105
Other	435,960	-	435,960
Education	384,569	-	384,569
Total Public Support and Revenues	<u>25,528,387</u>	<u>8,851,048</u>	<u>34,379,435</u>
Net assets released from restrictions	<u>6,587,801</u>	<u>(6,587,801)</u>	<u>-</u>
	<u>32,116,188</u>	<u>2,263,247</u>	<u>34,379,435</u>
Expenses:			
Program	15,240,833	-	15,240,833
Management and general	1,669,084	-	1,669,084
Fundraising	1,129,728	-	1,129,728
Total Expenses	<u>18,039,645</u>	<u>-</u>	<u>18,039,645</u>
Change in net assets	14,076,543	2,263,247	16,339,790
Net assets, beginning of year	<u>45,111,866</u>	<u>34,189,127</u>	<u>79,300,993</u>
Net assets, end of year	<u>\$ 59,188,409</u>	<u>\$ 36,452,374</u>	<u>\$ 95,640,783</u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE ZOO INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total
		Management And General	Fundraising	
Salaries	\$ 5,920,740	\$ 873,946	\$ 590,128	\$ 7,384,814
Depreciation	3,587,599	-	-	3,587,599
Benefits	1,036,688	151,094	119,857	1,307,639
Repairs and maintenance	1,054,499	-	-	1,054,499
Events	1,007,122	-	-	1,007,122
Utilities	776,066	-	-	776,066
Animal care	632,918	-	-	632,918
Other	474,840	149,808	-	624,648
Conservation	622,165	-	-	622,165
Insurance	374,435	-	-	374,435
Special events	-	-	361,676	361,676
Professional fees	-	330,370	-	330,370
Bank and investment fees	-	323,374	-	323,374
Promotions	195,774	-	-	195,774
Education	62,145	-	-	62,145
Fees, licenses, and dues	65,940	-	-	65,940
Auto and truck	57,221	-	-	57,221
Recruiting	-	50,313	-	50,313
Development	-	-	48,851	48,851
Office supplies	-	40,974	-	40,974
Animal collection	25,172	-	-	25,172
Freight	21,520	-	-	21,520
Membership development	15,798	-	-	15,798
Travel and entertainment	-	12,479	-	12,479
Postage	-	8,339	-	8,339
	<u>\$ 15,930,642</u>	<u>\$ 1,940,697</u>	<u>\$ 1,120,512</u>	<u>\$ 18,991,851</u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE ZOO INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		Total
		Management And General	Fundraising	
Salaries	\$ 5,450,754	\$ 956,667	\$ 583,892	\$ 6,991,313
Depreciation	2,904,064	-	-	2,904,064
Benefits	985,452	172,957	105,563	1,263,972
Animal collection	969,338	-	-	969,338
Repairs and maintenance	912,522	-	-	912,522
Utilities	649,801	-	-	649,801
Conservation	615,876	-	-	615,876
Events	607,285	-	-	607,285
Animal care	590,640	-	-	590,640
Other	478,613	85,552	-	564,165
Promotions	442,703	-	-	442,703
Insurance	371,733	-	-	371,733
Special events	-	-	370,252	370,252
Bank and investment fees	-	292,584	-	292,584
Professional fees	-	83,401	-	83,401
Auto and truck	76,208	-	-	76,208
Fees, licenses, and dues	63,088	-	-	63,088
Education	58,941	-	-	58,941
Development	-	-	49,021	49,021
Membership development	33,780	-	-	33,780
Recruiting	-	31,516	-	31,516
Freight	30,035	-	-	30,035
Office supplies	-	24,330	-	24,330
Amortization	-	-	21,000	21,000
Travel and entertainment	-	13,610	-	13,610
Postage	-	8,467	-	8,467
	<u>\$ 15,240,833</u>	<u>\$ 1,669,084</u>	<u>\$ 1,129,728</u>	<u>\$ 18,039,645</u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE ZOO INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017 (as restated)
Cash flows from operating activities:		
Change in net assets	\$ 4,301,709	\$ 16,339,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contributions for property and equipment and construction in progress	-	(1,191,970)
Depreciation and amortization	3,587,599	2,925,064
Realized and unrealized (gain) loss on investments	1,498,425	(1,672,701)
Discount on contributions receivable	(56,342)	151,578
Bad debts	-	1,880
Contributions restricted for long-term purposes	(265,000)	(7,654,000)
Grants received for long-term purposes	(5,589,045)	(4,864,584)
Receipt of donated stock	(274,439)	(335,366)
Changes in operating assets and liabilities:		
Contributions receivable for operations	50,000	(50,000)
Prepaid expenses and other assets	(271,641)	(77,681)
Prepaid membership	(21,267)	(1,502)
Deposits	-	450,000
Accounts payable	(1,129,139)	1,998,831
Accrued expenses	132,955	87,976
Deferred revenue	162,167	(17,222)
Deferred compensation	(23,857)	(24,000)
Net cash provided by operating activities	<u>2,102,125</u>	<u>6,066,093</u>
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(17,132,051)	(13,525,919)
Purchases of investments	(3,714,233)	(5,662,118)
Sales of investments	3,268,520	5,409,366
Net cash used in investing activities	<u>(17,577,764)</u>	<u>(13,778,671)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	2,141,163	2,413,267
Grants received for long-term purposes	7,628,921	2,668,666
Net cash provided by financing activities	<u>9,770,084</u>	<u>5,081,933</u>
Decrease in cash and cash equivalents	(5,705,555)	(2,630,645)
Cash and cash equivalents, beginning of year	20,310,692	22,941,337
Cash and cash equivalents, end of year	<u>\$ 14,605,137</u>	<u>\$ 20,310,692</u>
Supplemental schedule of noncash investing and financing activities:		
Receipt of donated construction in progress	<u>\$ -</u>	<u>\$ 1,191,970</u>
Receipt of donated stock	<u>\$ 274,439</u>	<u>\$ 335,366</u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Nature of operations and 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 2019.

The Organization receives funding from private contributions, government grants, program fees, and admissions. The Organization’s significant accounting policies are as follows:

Financial Statement Presentation – In accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primarily objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions – In accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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 increases in net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions are recognized when the specified donor conditions have been met.

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 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.

Revenue Recognition – Gate admissions and other park revenue are recognized when received as the sale of tickets and tokens are not refundable.

Membership dues, at differing levels, are generally collected for a one-year period throughout the year and entitle the member to certain benefits. Revenue from memberships, which is primarily considered a charitable contribution, is recognized upon receipt. Memberships are typically not cancelable, and dues are non-refundable. Gift certificates sold for memberships to be redeemed in future periods are deferred until the period redeemed.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies (continued)

Rental income is derived from rental of the Organization’s campus for weddings, corporate events, and similar activities. Other revenues are received for special events. Revenues received in advance are deferred and recognized in the period the related event takes place.

The Organization also recognizes commission revenues for sales of food, concessions, and products sold in the gift shop under agreements with its third-party concessionaire.

Grants received from governmental agencies are generally recognized as related costs are incurred.

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 – 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.

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, exhibits, and improvements	5-40 years
Equipment	3-10 years
Vehicles	3-8 years

Functional Expenses – The cost of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While most costs have been directly assigned to a functional category, certain salaries and wages have been allocated to program, management and general, and fundraising based on time and effort estimates made by management.

Advertising Costs – Advertising costs are generally expensed as incurred. Advertising and promotion expenses totaled \$195,774 and \$442,703 during 2018 and 2017, respectively.

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 50% likely of being realized upon ultimate settlement. The Organization has no significant tax penalties or interest reported in the accompanying financial statements.

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1—Nature of operations and summary of significant accounting policies (continued)

Restricted Endowment Funds – The Uniform Prudent Management of 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.

Estimates – The preparation of financial statements in conformity with U.S. GAAP 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.

Reclassifications – Certain reclassifications have been made to 2017 balances to conform with 2018 presentation.

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization evaluated subsequent events through May 24, 2019, 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.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and equivalents	\$ 14,605,137	\$ 20,310,692
Grant receivable	261,254	2,301,130
Contributions receivable, net, current portion	1,350,997	2,179,845
Less amounts not available to be used within one year:		
Donor restricted cash and cash equivalents	(10,518,848)	(17,153,354)
Contributions receivable with donor restrictions	<u>(1,350,997)</u>	<u>(2,179,845)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,347,543</u>	<u>\$ 5,458,468</u>

The Organization's endowment funds consist of donor-restricted funds. Generally, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes. Donor restricted endowment funds are not available for general expenditure. See Note 8.

Note 3—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>2018</u>	<u>2017</u>
Contributions receivable	\$ 7,180,505	\$ 9,106,668
Less discount on contributions receivable	<u>(198,191)</u>	<u>(254,533)</u>
Net contributions receivable	<u>\$ 6,982,314</u>	<u>\$ 8,852,135</u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 3—Contributions receivable (continued)

The discount rate used to determine the present value of contributions receivable was 3.25% at December 31, 2018 and 2017. 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, 2018:

Receivable in less than one year, net	\$ 1,350,997
Receivable in one to five years, net	<u>5,631,317</u>
	<u>\$ 6,982,314</u>

Contributions receivable are considered fully collectible and no allowance for doubtful accounts has been provided. Additionally, 71% of the Organization's contributions receivable at December 31, 2018, were due from one donor. This donor has been a long-term supporter of the Organization and the receivable is deemed to be fully collectible.

Note 4—Fair value measurements

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).

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; and
- 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. Unobservable inputs are developed based on the best information available in the circumstances. The reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4—Fair value measurements (continued)

The asset's 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 2018 or 2017.

A description of the valuation methodologies used for assets measured at fair value is as follows:

Mutual Funds – Valued based upon independent third-party pricing for the majority of fund holdings. Independent third-party pricing sources are used to price all security positions for which a readily determinable market price is available. Securities for which third-party pricing sources are not available are priced on a “fair value” basis as determined by the fund's management.

Hedge Funds – The Organization invests in funds that use derivative financial instruments to hedge against adverse changes in interest rates and foreign exchange rates. The underlying investments of the derivative funds are valued by the custodian based on the last prior sales price on the principal board of trade or other contracts market or by quotations from the contra party bank.

Private Capital/Partnerships – Valued at prices quoted by various inactive markets and/or independent financial analysts.

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 tables summarize the Organization's major categories of assets measured at fair value on a recurring basis on the statements of financial position, by the ASC 820 valuation hierarchy (as described above), as of December 31, 2018 and 2017, respectively.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4—Fair value measurements (continued)

	2018			Total
	Level 1	Level 2	Level 3	
Money Market Funds	\$ 1,510,139	\$ -	\$ -	\$ 1,510,139
Public Equity:				
Large cap U.S. equity	4,347,589	436,017	-	4,783,606
International equity	898,007	1,301,848	-	2,199,855
Small/mid cap growth fund	590,467	-	-	590,467
Small/mid cap value fund	1,306,925	-	-	1,306,925
Master limited partnerships	298,140	-	-	298,140
Other	130,510	-	-	130,510
World allocation	290,277	-	-	290,277
Equity opportunity	63,186	-	-	63,186
Total Public Equity	<u>7,925,101</u>	<u>1,737,865</u>	<u>-</u>	<u>9,662,966</u>
Fixed Income:				
Intermediate term	1,294,182	-	-	1,294,182
Core strategies	-	453,799	-	453,799
High yield strategies	216,050	-	-	216,050
Short duration	279,600	125,234	-	404,834
Opportunistic	440,283	-	-	440,283
Total Fixed Income	<u>2,230,115</u>	<u>579,033</u>	<u>-</u>	<u>2,809,148</u>
Other Investments:				
Private equity	-	-	1,352,719	1,352,719
Hedge and low volatility strategies	-	-	772,725	772,725
Private real estate	-	-	510,376	510,376
Total Other Investments	<u>-</u>	<u>-</u>	<u>2,635,820</u>	<u>2,635,820</u>
Total Investments at Fair Value	<u>11,665,355</u>	<u>2,316,898</u>	<u>2,635,820</u>	<u>16,618,073</u>
Long-term promises to give	-	-	5,631,317	5,631,317
Total Assets at Fair Value	<u>\$ 11,665,355</u>	<u>\$ 2,316,898</u>	<u>\$ 8,267,137</u>	<u>\$ 22,249,390</u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4—Fair value measurements (continued)

	2017			Total
	Level 1	Level 2	Level 3	
Money Market Funds	\$ 1,217,168	\$ -	\$ -	\$ 1,217,168
Public Equity:				
Large cap U.S. equity	4,950,734	-	-	4,950,734
International equity	1,181,292	1,614,529	-	2,795,821
Small/mid cap growth fund	1,372,748	-	-	1,372,748
Small/mid cap value fund	682,015	-	-	682,015
Master limited partnerships	472,032	-	-	472,032
Other	421,822	-	-	421,822
World allocation	203,978	-	-	203,978
Equity opportunity	233,965	-	-	233,965
Total Public Equity	<u>9,518,586</u>	<u>1,614,529</u>	<u>-</u>	<u>11,133,115</u>
Fixed Income:				
Intermediate term	1,606,571	-	-	1,606,571
Core strategies	-	450,086	-	450,086
High yield strategies	331,232	-	-	331,232
Short duration	229,733	101,217	-	330,950
Opportunistic	104,356	-	-	104,356
Total Fixed Income	<u>2,271,892</u>	<u>551,303</u>	<u>-</u>	<u>2,823,195</u>
Other Investments:				
Private equity	-	-	1,093,243	1,093,243
Hedge and low volatility strategies	-	-	759,495	759,495
Private real estate	-	-	370,130	370,130
Total Other Investments	<u>-</u>	<u>-</u>	<u>2,222,868</u>	<u>2,222,868</u>
Total Investments at Fair Value	<u>13,007,646</u>	<u>2,165,832</u>	<u>2,222,868</u>	<u>17,396,346</u>
Long-term promises to give	-	-	6,672,290	6,672,290
Total Assets at Fair Value	<u>\$ 13,007,646</u>	<u>\$ 2,165,832</u>	<u>\$ 8,895,158</u>	<u>\$ 24,068,636</u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4—Fair value measurements (continued)

The following table provides a summary of changes in investments shown as Level 3 within the fair value hierarchy for the years ended at December 31, 2018 and 2017:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Hedge Funds	Private Capital / Partnerships	Total
Balance at December 31, 2016	\$ 722,176	\$ 1,247,870	\$ 1,970,046
Realized gains	-	2,402	2,402
Unrealized gains relating to instruments still held at the reporting date	37,318	58,696	96,014
Purchases	-	299,807	299,807
Sales	-	(145,401)	(145,401)
Balance at December 31, 2017	759,494	1,463,374	2,222,868
Realized gains	-	18,782	18,782
Unrealized gains relating to instruments still held at the reporting date	13,231	176,925	190,156
Purchases	-	435,141	435,141
Sales	-	(231,127)	(231,127)
Balance at December 31, 2018	<u>\$ 772,725</u>	<u>\$ 1,863,095</u>	<u>\$ 2,635,820</u>

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements:

The Organization's Level 3 investments have been valued using the unadjusted net asset value of investments or its equivalent. No unobservable inputs internally developed by the Organization have been applied to these investments. Therefore, the table disclosing the valuation techniques used to measure the fair value of those investments and the significant unobservable inputs has been excluded.

At December 31, 2018, the Organization's investments held for endowment purposes totaled \$15,602,121, and investments held for unrestricted purposes totaled \$1,015,952.

The Organization has adopted certain asset allocation policies relating to its investments.

The following schedule summarizes the investment returns for the years ended December 31:

	2018	2017
Interest and dividends	\$ 804,510	\$ 656,935
Realized and unrealized gain (loss), net	(1,498,425)	1,672,701
Investment gain (loss)	<u>\$ (693,915)</u>	<u>\$ 2,329,636</u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 5—Property and equipment

Property and equipment are summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Buildings, exhibits, and improvements	\$ 81,733,642	\$ 54,427,650
Land	200,000	200,000
Equipment	4,126,967	3,218,057
Vehicles	689,061	626,561
	<u>86,749,670</u>	<u>58,472,268</u>
Less accumulated depreciation	<u>(29,245,256)</u>	<u>(25,657,657)</u>
Net property and equipment	<u>\$ 57,504,414</u>	<u>\$ 32,814,611</u>

Construction in progress at December 31, 2018 and 2017, of \$6,951,139 and \$18,096,490, respectively, represents ongoing construction of various animal exhibits and infrastructure as follows:

	<u>2018</u>	<u>2017</u>
Animal exhibits	\$ 5,052,306	\$ 16,778,119
Infrastructure	1,898,833	1,318,371
	<u>\$ 6,951,139</u>	<u>\$ 18,096,490</u>

Note 6—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. Since that time, the note was renewed annually to extend the maturity date through August 31, 2018. With the renewal executed in December 2017, the security requirement was eliminated. There were no amounts outstanding under the line of credit at December 31, 2017. The arrangement was not renewed upon expiration.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 7—Net assets with donor restrictions

The Organization receives contributions from donors with the stipulation that such contributions are to be used for specific purposes or periods. Such restrictions are available as follows at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 5,782,694	\$ 5,664,405
Africa exhibit	5,307,922	5,257,922
Rhino exhibit	1,175,638	2,367,459
Veterinary hospital	1,125,266	7,479,641
Tiger exhibit	1,108,334	1,067,006
Children’s zoo	1,000,000	1,000,000
Other	885,873	809,874
Andean bear exhibit	670,232	1,263,932
Garage	500,000	-
Cougar	48,138	-
Animal ambassador building	33,452	33,926
Kangaroo exhibit	24,232	24,232
Peafowl / shrike	18,053	-
Avian department	17,000	14,000
Bamboo Trail graphics	2,518	2,518
Clouded leopard consortium	-	29,950
Landscaping	-	19,658
General endowment to be held for production of income	<u>11,417,851</u>	<u>11,417,851</u>
	<u>\$ 29,117,203</u>	<u>\$ 36,452,374</u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8—Endowment

The Organization's endowment consists of donor restricted gifts held in investment accounts. As required by U.S. GAAP, 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, 2018 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,976,065	\$ 11,417,851	\$ 16,393,916
Contributions	8,133	-	8,133
Investment return:			
Investment income	701,581	-	701,581
Net depreciation (realized and unrealized)	(1,501,509)	-	(1,501,509)
Endowment net assets, end of year	<u>\$ 4,184,270</u>	<u>\$ 11,417,851</u>	<u>\$ 15,602,121</u>

Changes in endowment net assets for the fiscal year ended December 31, 2017 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,719,263	\$ 11,417,851	\$ 14,137,114
Contributions	74,089	-	74,089
Investment return:			
Investment income	559,868	-	559,868
Net appreciation (realized and unrealized)	1,622,845	-	1,622,845
Endowment net assets, end of year	<u>\$ 4,976,065</u>	<u>\$ 11,417,851</u>	<u>\$ 16,393,916</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 endowment net assets with donor restrictions (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 net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8—Endowment (continued)

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, there were no deficiencies of this nature at December 31, 2018 or 2017.

Endowment Investment Policy and Risk Parameters – The Organization has adopted investment and spending policies for its 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 exceeding a blended benchmark comprising major U.S. investment indices by maintaining 20% to 80% of its portfolio in equities, 5% to 50% of its portfolio in fixed income securities, 10% to 40% in alternative assets, with the remaining 0% to 20% in cash equivalents.

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. Based on the Organization's investment policy statement adopted in September 2015, the Organization is expected to disburse up to 5% of endowment principal market value on an annual basis calculated on a three-year rolling average. Specific agreements with donors for income taken relative to their specific endowment gifts are exempted.

Note 9—In-kind contributions

The Organization received contributed property and equipment, tangible goods, and professional services during 2018 and 2017 meeting the requirements for recognition totaling \$59,934 and \$1,234,980, respectively.

Note 10—Government grants

Since 2013, the Organization received grants from the Metropolitan Government of Nashville and Davidson County ("Metro") to be used for construction, renovation, and improvements. The first award of \$5,000,000 was utilized by the Organization in 2013-2015. During 2014, the Organization received additional funding of \$10,000,000 to be used for these projects. For the year ended December 31, 2017, the Organization recognized grant revenue totaling \$1,779,287, under this agreement predominantly for the new entry village and other building and infrastructure projects, fully utilizing this funding arrangement. The funding available under this arrangement was exhausted during 2017.

Additionally, during 2015, Metro provided an additional \$10,000,000 in funding subject to the Organization's match of a like amount. For the years ended December 31, 2018 and 2017, the Organization recognized grant revenue totaling \$3,795,181 and \$4,010,346 (as restated), respectively, for infrastructure, new exhibits and the veterinarian hospital. Remaining grant funds are expected to be recognized and received in future years. Amounts receivable under this grant agreement totaled \$261,254 and \$2,124,785 (as restated) at December 31, 2018 and 2017, respectively.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 10—Government grants (continued)

During 2015, 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 the entry village project. In October 2017, this arrangement was amended to allow for reimbursement of expenditures related to additional construction projects. The amendment extended the contract period through October 31, 2018, and expanded the maximum reimbursement to \$600,000. For the years ended December 31, 2018 and 2017, the Organization recognized grant revenue totaling \$330,018 and \$219,982, respectively, under these grant arrangements. Amounts receivable under these grants totaled \$0 and \$174,982 at December 31, 2018 and 2017, respectively, and is included within grants receivable in the accompanying statements of financial position.

Note 11—Concentrations

At times throughout the year, the Organization may maintain cash balances at financial institutions in excess of Federal Deposit Insurance Corporation insured limits. Amounts in excess of these limits totaled approximately \$14,322,000 and \$20,274,000 at December 31, 2018 and 2017, 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.

The Organization utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

During 2017, the Organization recognized a \$5,000,000 contribution from one donor which was outstanding at both December 31, 2018 and 2017. This comprised approximately 15% of total public support and revenues. No similar contributions were received during 2018.

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 40 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.

Fair value of the lease has not been reflected in the accompanying financial statements because objective valuation information is not available due to the unique characteristics and public park location of the facilities. Additionally, there are certain restrictions placed on the use of the land by the trust document. Accordingly, no contribution or rental expense has been recorded in the financial statements.

The Organization has also entered into operating leases for various office equipment. The leases require total annual payments of approximately \$18,000 and extend through 2021.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 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 a percentage of their pretax annual compensation, subject to certain discrimination tests prescribed by the Internal Revenue Code and other limitations specified in the Plan. Discretionary contributions will be made to the Plan as determined by the board of directors. During 2014, the Organization’s board of directors approved an amendment to the Plan to match 50% of employee contributions up to a 3% match. This amendment was effective July 2015.

During 2015, the Board approved an amendment to the Plan to provide safe harbor and matching contributions effective January 1, 2016. Under terms of the Plan amendments, the Organization will match 100% of employees’ first 3% of contributions and 50% of employee’s next 2% of contributions.

During 2010, the Organization’s board of directors approved an additional retirement fund for key employees. Total retirement expense related to all retirement plans for 2018 and 2017 was \$220,698 and \$221,673, respectively.

Amounts reflected in accrued expenses relating to deferred compensation for a key employee totaled approximately \$0 and \$24,000 at December 31, 2018 and 2017, respectively. The final amount due under this arrangement of \$24,000 was paid to the key employee during 2018.

Note 14—Agreements

The Organization has entered into an agreement with a concessionaire for restaurant and gift shop operations at the zoo facility. This agreement began on January 1, 2006. During 2016, this agreement was amended to extend through December 31, 2027. The Organization will receive fees under this agreement based on a percentage of gross receipts. Income from the agreement totaled approximately \$1,341,000 and \$1,274,000 for 2018 and 2017, respectively, and is included in park income and events in the statements of activities.

In conjunction with the agreement amendment discussed above, the concessionaire paid the Organization \$1,159,000 in lieu of monthly fees. Such payment is being recognized ratably over the remaining term of the agreement. Accordingly, under this agreement, income of \$96,584 was recognized during 2018 and 2017 and \$869,250 and \$965,833 is included in deferred revenue at December 31, 2018 and 2017, respectively.

During 2017, the Organization entered into a lease arrangement as a lessor with a third party for use of certain barn space for a 12-year term. Under this arrangement, the Organization received a one-time payment of \$75,000, which is being recognized ratably over the lease term. At December 31, 2018 and 2017, \$67,708 and \$73,958 is recorded in deferred revenue, respectively.

Note 15—Restatement

During 2018, the Organization restated grants revenue, grants receivable and net assets without donor restrictions as of and for the year ended December 31, 2017, to properly state these accounts at that date. This correction resulted in the following restatement:

Line Item	As Originally Reported	As Restated	Change
Grants revenue	\$ 5,000,737	\$ 6,156,836	\$ 1,156,099
Grants receivable	1,145,031	2,301,130	1,156,099
Change in net assets, without donor restrictions	12,920,444	14,076,543	1,156,099
Net assets without donor restrictions, December 31, 2017	58,032,310	59,188,409	1,156,099