NASHVILLE ZOO INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

As of and for the Years Ended December 31, 2017 and 2016

And Report of Independent Auditor

NASHVILLE ZOO INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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 statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated March 16, 2017 expressed an unmodified opinion on those statements.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2017 supplementary information on pages 21 through 23 is presented for purposes of additional analysis and 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. The 2016 information on pages 21 through 23 was subject to the auditing procedures applied in the 2016 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2016 financial statements as a whole.

Cherry Bekaert LLP

Nashville, Tennessee
June 2, 2018

NASHVILLE ZOO INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,310,692	$ 22,941,337
Grant receivable	1,145,031	105,212
Contributions receivable, net	2,179,845	1,542,053
Prepaid expenses and other assets	267,623	196,120
Deposits	-	461,818
Total Current Assets	23,903,191	25,246,540
Contributions receivable, net of current portion	6,672,290	2,172,807
Prepaid membership	20,593	22,095
Investments	17,396,346	15,135,527
Construction in progress	18,096,490	12,301,509
Property and equipment, net of accumulated depreciation of $25,657,657 and $22,753,592 for 2017 and 2016, respectively	32,814,611	26,795,767
Total Assets	$ 98,903,521	$ 81,674,245
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 2,599,697	$ 600,866
Accrued expenses	374,912	286,936
Deferred revenue	454,538	375,176
Total Current Liabilities	3,429,147	1,262,978
Deferred revenue, concessionaire	965,833	1,062,417
Deferred compensation	23,857	47,857
Total Liabilities	4,418,837	2,373,252
Net Assets:		
Unrestricted	58,032,310	45,111,866
Temporarily restricted	25,034,523	22,771,276
Permanently restricted	11,417,851	11,417,851
Total Net Assets	94,484,684	79,300,993
Total Liabilities and Net Assets	$ 98,903,521	$ 81,674,245

NASHVILLE ZOO INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues:				
Contributions	$ 1,839,550	$ 8,851,048	$ -	$ 10,690,598
Gate admissions	5,690,636	-	-	5,690,636
Grants	5,000,737	-	-	5,000,737
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	24,372,288	8,851,048	-	33,223,336
Net assets released from restrictions	6,587,801	(6,587,801)	-	-
	30,960,089	2,263,247	-	33,223,336
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	18,039,645	-	-	18,039,645
Change in net assets	12,920,444	2,263,247	-	15,183,691
Net assets, beginning of year	45,111,866	22,771,276	11,417,851	79,300,993
Net assets, end of year	$ 58,032,310	$ 25,034,523	$ 11,417,851	$ 94,484,684

NASHVILLE ZOO INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues:				
Gate admissions	$ 5,204,856	$ -	$ -	$ 5,204,856
Grants	5,003,148	-	-	5,003,148
Contributions	587,330	3,892,913	-	4,480,243
Park income and events	3,713,044	-	-	3,713,044
Memberships	3,237,896	-	-	3,237,896
Special events	1,375,727	-	-	1,375,727
Investment gain	1,180,947	-	-	1,180,947
Other	346,276	-	-	346,276
Education	337,454	-	-	337,454
Total Public Support and Revenues	20,986,678	3,892,913	-	24,879,591
Net assets released from restrictions	7,265,935	(7,265,935)	-	-
	28,252,613	(3,373,022)	-	24,879,591
Expenses:				
Program	12,795,412	-	-	12,795,412
Management and general	1,359,146	-	-	1,359,146
Fundraising	896,485	-	-	896,485
Total Expenses	15,051,043	-	-	15,051,043
Change in net assets	13,201,570	(3,373,022)	-	9,828,548
Net assets, beginning of year	31,910,296	26,144,298	11,417,851	69,472,445
Net assets, end of year	$ 45,111,866	$ 22,771,276	$ 11,417,851	$ 79,300,993

NASHVILLE ZOO INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 15,183,691	$ 9,828,548
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	2,925,064	2,533,261
Gain on disposal of property and equipment	-	(64,074)
Realized and unrealized (gain) loss on investments	(1,672,701)	(922,408)
Discount on contributions receivable	151,578	(83,611)
Bad debts	1,880	-
Contributions restricted for long-term purposes	(7,654,000)	(2,545,250)
Grants received for long-term purposes	(3,708,485)	(4,795,355)
Receipt of donated stock	(335,366)	(1,281,380)
Changes in operating assets and liabilities:		
Contributions receivable for operations	(50,000)	2,120
Prepaid expenses and other assets	(79,183)	(10,265)
Deposits	450,000	-
Accounts payable	1,998,831	(656,282)
Accrued expenses	87,976	26,116
Deferred revenue	(17,222)	1,207,312
Deferred compensation	(24,000)	(24,000)
Net cash provided by operating activities	6,066,093	3,214,732
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(13,525,919)	(13,319,214)
Proceeds from disposal of property and equipment	-	95,890
Purchases of investments	(5,662,118)	(8,061,468)
Sales of investments	5,409,366	11,598,739
Net cash used in investing activities	(13,778,671)	(9,686,053)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	2,413,267	7,818,414
Grants received for long-term purposes	2,668,666	4,718,474
Payments on line of credit	-	(455,000)
Net cash provided by financing activities	5,081,933	12,081,888
(Decrease) increase in cash and cash equivalents	(2,630,645)	5,610,567
Cash and cash equivalents, beginning of year	22,941,337	17,330,770
Cash and cash equivalents, end of year	$ 20,310,692	$ 22,941,337
Supplemental schedule of noncash investing and financing activities:		
Receipt of donated construction in progress	$ 1,191,970	$ -
Receipt of donated stock	$ 335,366	$ 1,281,380

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

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 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 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 statements 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 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 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.

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.

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

Note 1—Summary of significant accounting policies (continued)

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.

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.

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.

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

Functional Expenses – The Organization allocates expenses to program, management and general, and fundraising based on estimates made by management.

Advertising Costs – Advertising costs are generally expensed as incurred. Advertising and promotion expenses totaled $442,703 and $243,828 during 2017 and 2016, 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.

Note 1—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 2016 balances to conform with 2017 presentation.

Subsequent Events – The Organization evaluated subsequent events through June 2, 2018, 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:

	2017	**2016**
Contributions receivable	$ 9,106,668	$ 3,817,815
Less discount on contributions receivable	(254,533)	(102,955)
Net contributions receivable	$ 8,852,135	$ 3,714,860

Note 2—Contributions receivable (continued)

The discount rate used to determine the present value of contributions receivable was 3.25% at December 31, 2017 and 2016. 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, 2017:

Receivable in less than one year, net	$ 2,179,845
Receivable in one to five years, net	6,672,290
	$ 8,852,135

Contributions receivable are considered fully collectible and no allowance for doubtful accounts has been provided. Additionally, 55% of the Organization's contributions receivable at December 31, 2017, 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 3—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;
- 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.

Note 3—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 2017 or 2016.

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 Trust 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, 2017 and 2016, respectively.

Note 3—Fair value measurements (continued)

	2017			
	Level 1	Level 2	Level 3	Total
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	9,518,586	1,614,529	-	11,133,115
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	2,271,892	551,303	-	2,823,195
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	-	-	2,222,868	2,222,868
Total investments at fair value	13,007,646	2,165,832	2,222,868	17,396,346
Long-term promises to give	-	-	6,672,290	6,672,290
Total assets at fair value	$ 13,007,646	$ 2,165,832	$ 8,895,158	$ 24,068,636

Note 3—Fair value measurements (continued)

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Money Market Funds	$ 1,211,867	$ -	$ -	$ 1,211,867
Public Equity:				
Large cap U.S. equity	4,414,113	-	-	4,414,113
International equity	802,061	967,550	-	1,769,611
Small/mid cap growth fund	1,191,907	-	-	1,191,907
Small/mid cap value fund	967,399	-	-	967,399
Master limited partnerships	349,174	-	-	349,174
World allocation	235,907	-	-	235,907
Equity opportunity	218,632	-	-	218,632
Total Public Equity	8,179,193	967,550	-	9,146,743
Fixed Income:				
Intermediate term	1,358,430	-	-	1,358,430
Core strategies	-	668,157	-	668,157
High yield strategies	393,809	-	-	393,809
Short duration	-	146,833	-	146,833
Opportunistic	111,800	-	-	111,800
Total Fixed Income	1,864,039	814,990	-	2,679,029
Other investments:				
Private equity	-	-	1,000,858	1,000,858
Hedge and low volatility strategies	-	-	722,176	722,176
Private real estate	-	-	247,012	247,012
Multi-strategy	-	127,842	-	127,842
Total other investments	-	127,842	1,970,046	2,097,888
Total investments at fair value	11,255,099	1,910,382	1,970,046	15,135,527
Long-term promises to give	-	-	2,172,807	2,172,807
Total assets at fair value	$ 11,255,099	$ 1,910,382	$ 4,142,853	$ 17,308,334

Note 3—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, 2017 and 2016:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Hedge Funds	Private Capital / Partnerships	Total
Balance at December 31, 2015	$ -	$ 748,149	$ 748,149
Realized gains	-	36,000	36,000
Unrealized gains relating to instruments still held at the reporting date	22,176	113,570	135,746
Purchases	700,000	375,652	1,075,652
Sales	-	(25,501)	(25,501)
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

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, 2017, the Organization's investments held for endowment purposes totaled $16,393,916, and investments held for unrestricted purposes totaled $1,002,430.

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:

	2017	2016
Interest and dividends	$ 656,935	$ 258,539
Realized and unrealized gain, net	1,672,701	922,408
Investment gain	$ 2,329,636	$ 1,180,947

Note 4—Property and equipment

Property and equipment are summarized as follows at December 31:

	2017	2016
Buildings and improvements	$ 54,427,650	$ 45,957,078
Land	200,000	200,000
Equipment	3,218,057	2,829,361
Vehicles	626,561	562,920
	58,472,268	49,549,359
Less accumulated depreciation	(25,657,657)	(22,753,592)
Net property and equipment	$ 32,814,611	$ 26,795,767

Construction in progress at December 31, 2017 and 2016, of $18,096,490 and $12,301,509, respectively, represents ongoing construction of various animal exhibits and infrastructure as follows:

	2017	2016
Animal exhibits	$ 16,778,119	$ 10,444,137
Infrastructure	1,318,371	1,857,372
	$ 18,096,490	$ 12,301,509

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. 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 and 2016, currently bearing interest at an annual rate of 3.11%.

Note 6—Temporarily and permanently 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:

	2017	2016
Veterinary hospital	$ 7,479,641	$ 7,007,455
Capital campaign	5,664,405	9,797,897
Africa exhibit	5,257,922	457,922
Rhino exhibit	2,367,459	698,459
Andean bear exhibit	1,263,932	919,531
Tiger exhibit	1,067,006	2,188,860
Children’s zoo	1,000,000	1,000,000
Other	809,874	577,474
Animal ambassador building	33,926	-
Clouded leopard consortium	29,950	30,485
Kangaroo exhibit	24,232	31,232
Landscaping	19,658	19,658
Avian department	14,000	12,000
Bamboo Trail graphics	2,518	2,518
Education and technology	-	27,785
	$ 25,034,523	$ 22,771,276

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

	2017	2016
Purpose restriction satisfied	$ 6,587,801	$ 7,265,935

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

	2017	2016
Investments to be held for production of income:		
General endowment	$ 11,417,851	$ 11,417,851

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

Note 7—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, 2017, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	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	$ 4,976,065	$ -	$ 11,417,851	$ 16,393,916

Changes in endowment net assets for the fiscal year ended December 31, 2016, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,051,159	$ -	$ 11,417,851	$ 14,469,010
Contributions	20,000	-	-	20,000
Distributions	(1,445,568)	-	-	(1,445,568)
Investment return:				
Investment income	183,459	-	-	183,459
Net appreciation (realized and unrealized)	910,213	-	-	910,213
Endowment net assets, end of year	$ 2,719,263	$ -	$ 11,417,851	$ 14,137,114

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 temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 7—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, 2017 or 2016.

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 8—In-kind contributions

The Organization received contributed property and equipment, tangible goods, and professional services during 2017 and 2016 meeting the requirements for recognition totaling $1,234,980 and $60,810, respectively.

Note 9—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 years ended December 31, 2017 and 2016, the Organization recognized grant revenue totaling $1,779,287 and $4,693,667, respectively, under this agreement predominantly for the new entry village and other building and infrastructure projects, fully utilizing this funding arrangement.

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, 2017 and 2016, the Organization recognized grant revenue totaling $2,854,247 and $-0-, 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 $968,686 at December 31, 2017 and $-0- at December 31, 2016.

Note 9—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, 2017 and 2016, the Organization recognized grant revenue totaling $219,982 and $170,600, respectively, under these grant arrangements. Amounts receivable under these grants totaled $174,982 and $105,212 at December 31, 2017 and 2016, respectively, and is included within grants receivable in the accompanying statements of financial position.

Note 10—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 $20,274,000 and $23,247,000 at December 31, 2017 and 2016, 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 December 31, 2017. This comprised approximately 15% of total public support and revenues.

Note 11—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.

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.

Note 12—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 2017 and 2016 was $221,673 and $151,255, respectively.

Amounts reflected in accrued expenses relating to deferred compensation for a key employee totaled approximately $24,000 and $48,000 at December 31, 2017 and 2016, respectively. The remaining $24,000 will be paid to the key employee during 2018.

Note 13—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 $1,274,000 and $1,064,000 for 2017 and 2016, 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 2017 and 2016 and $965,833 and $1,062,417 is included in deferred revenue at December 31, 2017 and 2016, 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, 2017, $73,958 is recorded in deferred revenue.

SUPPLEMENTAL SCHEDULES

NASHVILLE ZOO INC.

SCHEDULES OF PROGRAM EXPENSES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Salaries	$ 5,450,754	$ 4,999,661
Depreciation	2,904,064	2,512,261
Benefits	985,452	866,549
Animal collection	969,338	71,474
Repairs and maintenance	912,522	787,183
Utilities	649,801	607,638
Events	607,285	575,822
Animal care	590,640	509,265
Conservation	615,876	505,193
Other	478,613	478,432
Promotions	442,703	243,828
Insurance	371,733	353,035
Auto and truck	76,208	55,443
Fees, licenses, and dues	63,088	61,907
Education	58,941	57,229
Membership development	33,780	52,159
Freight	30,035	50,859
Interest	-	7,474
Total Program Expenses	$ 15,240,833	$ 12,795,412

NASHVILLE ZOO INC.

SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Salaries	$ 956,667	$ 793,284
Bank and investment fees	292,584	273,084
Benefits	172,957	137,493
Other	85,552	20,529
Professional fees	83,401	76,344
Recruiting	31,516	17,189
Office supplies	24,330	22,400
Travel and entertainment	13,610	10,046
Postage	8,467	8,777
Total Management and General Expenses	$ 1,669,084	$ 1,359,146

NASHVILLE ZOO INC.

SCHEDULES OF FUNDRAISING EXPENSES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Salaries	$ 583,892	$ 437,535
Special events	370,252	328,611
Benefits	105,563	75,834
Development	49,021	33,505
Amortization	21,000	21,000
Total fundraising expenses	$ 1,129,728	$ 896,485