

**Blank Park Zoo Foundation, Incorporated
Des Moines, Iowa**

FINANCIAL REPORT

October 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blank Park Zoo Foundation, Incorporated
Des Moines, Iowa

We have audited the accompanying statements of financial position of Blank Park Zoo Foundation, Incorporated (a nonprofit organization) as of October 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blank Park Zoo Foundation, Incorporated as of October 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 5, 2012

Blank Park Zoo Foundation, Incorporated
STATEMENTS OF FINANCIAL POSITION

ASSETS	October 31	
	2011	2010 (As restated)
Cash	\$ 1,446,232	\$ 976,885
Investments	8,774,513	9,186,932
Interest in assets held at Community Foundation of Greater Des Moines	119,845	116,426
Accounts receivable		
City of Des Moines	908,384	99,289
Other	53,936	53,986
Contributions and grants receivable, net of allowance for uncollectibles, 2011 and 2010 - \$35,000	1,575,521	1,643,612
Inventory	83,197	122,078
Prepaid expenses	48,285	22,130
Land	1,610,000	1,610,000
Property and equipment, net of accumulated depreciation, 2011 - \$54,934; 2010 - \$9,222	6,001,574	611,663
Total assets	\$20,621,487	\$14,443,001
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 511,307	\$ 121,281
Deferred revenue – capital improvements	–	822
Accrued payroll and vacations	178,718	167,762
Event deposits	31,547	13,627
Total liabilities	721,572	303,492
NET ASSETS		
Unrestricted net assets		
Undesignated	8,655,435	2,727,610
Board-designated endowment fund	3,122,489	3,282,210
Total unrestricted net assets	11,777,924	6,009,820
Temporarily restricted	8,121,991	8,129,689
Total net assets	19,899,915	14,139,509
Total liabilities and net assets	\$20,621,487	\$14,443,001

See Notes to Financial Statements.

Blank Park Zoo Foundation, Incorporated
STATEMENTS OF ACTIVITIES

Year ended October 31, 2011

	<u>Unrestricted</u>	<u>Unrestricted Board- designated endowment</u>	<u>Temporarily restricted</u>	<u>Total</u>
REVENUE				
Contributions	\$ 147,744	\$ —	\$6,168,257	\$ 6,316,001
Zoo revenues	2,728,535	—	—	2,728,535
Memberships	636,230	—	—	636,230
BRAVO	150,000	—	—	150,000
Night Eyes	146,311	—	—	146,311
City of Des Moines contributions	307,500	—	—	307,500
Grant income	117,280	—	—	117,280
Interest and dividends	—	74,166	90,321	164,487
Realized gains (losses) on sale of investments	—	161,755	125,060	286,815
Unrealized gains (losses) on investments	—	(85,320)	(68,180)	(153,500)
Net assets released from restrictions	<u>337,797</u>	<u>—</u>	<u>(337,797)</u>	<u>—</u>
Total revenue	<u>4,571,397</u>	<u>150,601</u>	<u>5,977,661</u>	<u>10,699,659</u>
EXPENSES				
Program services	3,653,612	—	—	3,653,612
Fundraising	177,840	—	—	177,840
Management and general	<u>1,107,801</u>	<u>—</u>	<u>—</u>	<u>1,107,801</u>
Total expenses	<u>4,939,253</u>	<u>—</u>	<u>—</u>	<u>4,939,253</u>
CHANGE IN NET ASSETS	(367,856)	150,601	5,977,661	5,760,406
NET ASSET TRANSFERS	6,295,681	(310,322)	(5,985,359)	—
NET ASSETS				
Beginning of the year	<u>2,727,610</u>	<u>3,282,210</u>	<u>8,129,689</u>	<u>14,139,509</u>
End of year	<u>\$8,655,435</u>	<u>\$3,122,489</u>	<u>\$8,121,991</u>	<u>\$19,899,915</u>

See Notes to Financial Statements.

Year ended October 31, 2010

(As restated)

Unrestricted	Unrestricted Board- designated endowment	Temporarily restricted	Total
\$ 278,894	\$ —	\$ 815,909	\$1,094,803
2,390,791	—	—	2,390,791
543,781	—	—	543,781
150,000	—	—	150,000
128,119	—	—	128,119
325,000	—	—	325,000
117,600	—	—	117,600
—	89,745	71,366	161,111
—	59,194	97,425	156,619
—	351,110	500,327	851,437
<u>425,152</u>	<u>—</u>	<u>(425,152)</u>	<u>—</u>
<u>4,359,337</u>	<u>500,049</u>	<u>1,059,875</u>	<u>5,919,261</u>
3,604,830	—	—	3,604,830
251,224	—	—	251,224
<u>675,996</u>	<u>—</u>	<u>—</u>	<u>675,996</u>
<u>4,532,050</u>	<u>—</u>	<u>—</u>	<u>4,532,050</u>
(172,713)	500,049	1,059,875	1,387,211
910,565	(214,107)	(696,458)	—
<u>1,989,758</u>	<u>2,996,268</u>	<u>7,766,272</u>	<u>12,752,298</u>
<u>\$2,727,610</u>	<u>\$3,282,210</u>	<u>\$8,129,689</u>	<u>\$14,139,509</u>

Blank Park Zoo Foundation, Incorporated
STATEMENTS OF CASH FLOWS

	<u>Year ended October 31</u>	
	<u>2011</u>	<u>2010</u>
		(As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$5,760,406	\$1,387,211
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	45,712	9,222
Unrealized and realized (gains) on investments	(133,315)	(1,008,056)
Change in assets and liabilities		
(Increase) in accounts receivable	(809,045)	(98,390)
Decrease in contributions receivable	68,091	531,728
(Increase) decrease in inventory	38,881	(20,183)
(Increase) in prepaid expenses	(26,155)	(20,687)
Increase in accounts payable and accrued expenses, net of property and equipment payables	43,886	71,292
(Decrease) in deferred revenue	(822)	(90,067)
Increase in accrued payroll and vacations	10,956	3,918
Increase in event deposits	<u>17,920</u>	<u>7,534</u>
Net cash provided by operating activities	<u>5,016,515</u>	<u>773,522</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,949,453)	(3,830,329)
Proceeds from sale of investments	2,491,768	3,405,088
Purchase of property and equipment	<u>(5,089,483)</u>	<u>(620,885)</u>
Net cash (used in) investing activities	<u>(4,547,168)</u>	<u>(1,046,126)</u>
INCREASE (DECREASE) IN CASH	469,347	(272,604)
CASH		
Beginning	<u>976,885</u>	<u>1,249,489</u>
Ending	<u>\$1,446,232</u>	<u>\$ 976,885</u>

See Notes to Financial Statements.

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Blank Park Zoo Foundation, Incorporated is a nonprofit corporation organized under the laws of the state of Iowa for the purpose of supporting the Blank Park Zoo, which is located in Des Moines, Iowa. The primary purposes of the Foundation are as follows: a) to manage the Blank Park Zoo utilizing sound principles and administrative policies; b) to solicit, collect and provide funds, and to receive gifts and bequests for securing and maintaining animals, and improving facilities and programs of the Zoo; c) to promote interest among the general public concerning the Zoo; d) to implement and assist where possible, through the use of the Zoo, the study of zoological natural history, animal behavior and the science allied therewith; and e) to provide charitable and educational assistance in association with the Zoo, and to solicit and accept contributions, gifts, grants and funds which along with the income therefrom, shall be held, administered and expended for the use and direct benefit of the Zoo.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of deposits in checking and savings accounts. Money market funds held in brokerage accounts are classified as investments.

Investments

The Foundation values its investments at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the accompanying statement of activities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification*. Under the Topic the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions Receivable

Contributions receivable are recorded as receivables and contribution support in the year received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

Inventory

Inventory is stated at cost, based on the first-in, first-out method. Inventory consists of food and gift shop items.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Donated equipment is recognized at its estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted, Temporarily Restricted and Permanently Restricted Net Assets

Unrestricted net assets are those assets which represent the portion of expendable assets available for support of Foundation operations, along with temporarily restricted net assets whose restrictions have been satisfied. Temporarily restricted net assets represent contributions or other amounts received which are restricted for a specified purpose. Permanently restricted net assets represent assets that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be used.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation has only unrestricted and temporarily restricted net assets.

Income Taxes

The Foundation has received a tax determination letter indicating that it qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from State of Iowa taxation.

The Foundation follows the accounting for uncertainty in income tax requirements as required by the Income Taxes Topic of the *FASB Accounting Standards Codification*. The Foundation has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The Foundation's federal income tax returns since 2007 open by statute are subject to examination by tax authorities. The Foundation has not been notified of any impending examinations by authorities, and no examinations are in process.

Credit Risk

The Foundation at various times throughout the year has amounts on deposit with financial institutions in excess of FDIC limits.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Animal Collections

In accordance with industry practice, the Foundation does not capitalize animal collections. Animal acquisitions are reported as expenses in the period of acquisition.

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 2 INVESTMENTS

Investments held at October 31, 2011 and October 31, 2010 are summarized as follows:

	October 31, 2011			October 31, 2010		
	Fair value	Cost	Unrealized appreciation	Fair value	Cost	Unrealized appreciation (depreciation)
Certificates of deposit	\$ -	\$ -	\$ -	\$ 300,702	\$ 300,775	\$ (73)
Money market funds	699,228	699,228	-	590,909	590,909	-
Mutual funds and exchange traded funds	6,769,613	5,990,611	779,002	6,949,115	6,073,270	875,845
Common stocks	<u>1,305,672</u>	<u>1,132,978</u>	<u>172,694</u>	<u>1,346,206</u>	<u>1,118,492</u>	<u>227,714</u>
Totals	<u>\$8,774,513</u>	<u>\$7,822,817</u>	<u>\$ 951,696</u>	<u>\$9,186,932</u>	<u>\$8,083,446</u>	<u>\$1,103,486</u>
Components of investment return						
Interest and dividend income		\$ 164,487			\$ 161,111	
Realized gain on sale of investments		286,815			156,619	
Unrealized gain (loss) from adjustment to market value		<u>(153,500)</u>			<u>851,437</u>	
Total investment return		<u>\$ 297,802</u>			<u>\$1,169,167</u>	

NOTE 3 FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification* establishes 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the Topic are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the Foundation's investments at October 31, 2011 and 2010 were Level 1 and Level 3 inputs.

The Foundation's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future market values. Furthermore, although the Foundation 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.

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 3 FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at October 31, 2011 and 2010 are as follows:

<u>Description</u>	<u>Fair value 10/31/11</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments			
Money market funds	\$ 699,228	\$ 699,228	\$ —
Mutual and exchange traded funds			
Small value	58,894	58,894	—
Mid cap value	238,270	238,270	—
Large value	679,420	679,420	—
Small growth	68,800	68,800	—
Mid cap growth	398,750	398,750	—
Large growth	895,808	895,808	—
Inflation protected bond	159,824	159,824	—
Intermediate term bond	358,061	358,061	—
Long term bond	131,790	131,790	—
Multi sector bond	215,684	215,684	—
Short term bond	264,929	264,929	—
World bond	334,274	334,274	—
Short government	260,456	260,456	—
Intermediate government	276,990	276,990	—
Small blend	139,235	139,235	—
Foreign large blend	177,917	177,917	—
Long short	593,583	593,583	—
Natural resources	154,442	154,442	—
Commodities broad basket	132,197	132,197	—
Diversified emerging markets	712,099	712,099	—
World allocation	518,190	518,190	—
Total mutual and exchange traded funds	<u>6,769,613</u>	<u>6,769,613</u>	<u>—</u>
Common stocks			
Business services	8,193	8,193	—
Consumer discretionary	154,669	154,669	—
Consumer staples	92,439	92,439	—
Energy	177,384	177,384	—
Financial	166,486	166,486	—
Healthcare	194,218	194,218	—
Industrials	90,378	90,378	—
Materials	86,069	86,069	—
Media	6,403	6,403	—
Technology	258,198	258,198	—
Telecommunications	52,602	52,602	—
Utilities	18,633	18,633	—
Total common stocks	<u>1,305,672</u>	<u>1,305,672</u>	<u>—</u>
Total investments at fair value	<u>8,774,513</u>	<u>8,774,513</u>	<u>—</u>
Assets held at the Community Foundation of Greater Des Moines	<u>119,845</u>	<u>—</u>	<u>119,845</u>
Total assets at fair value	<u>\$8,894,358</u>	<u>\$8,774,513</u>	<u>\$ 119,845</u>

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 3 FAIR VALUE MEASUREMENTS (continued)

<u>Description</u>	<u>Fair value 10/31/10</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments			
Money market funds	\$ <u>590,909</u>	\$ <u>590,909</u>	\$ <u>—</u>
Certificates of deposit	<u>300,702</u>	<u>300,702</u>	<u>—</u>
Mutual and exchange traded funds			
Small value	57,273	57,273	—
Mid cap value	237,998	237,998	—
Large value	833,217	833,217	—
Small growth	198,113	198,113	—
Mid cap growth	238,791	238,791	—
Large growth	944,432	944,432	—
Inflation protected bond	89,519	89,519	—
Intermediate term bond	370,527	370,527	—
Long term bond	129,102	129,102	—
Multi sector bond	247,459	247,459	—
Short term bond	261,805	261,805	—
World bond	347,682	347,682	—
Short government	259,019	259,019	—
Intermediate government	267,042	267,042	—
Small blend	139,142	139,142	—
Foreign large blend	193,250	193,250	—
Long short	603,720	603,720	—
Natural resources	155,528	155,528	—
Commodities broad basket	155,461	155,461	—
Diversified emerging markets	976,291	976,291	—
World allocation	<u>243,744</u>	<u>243,744</u>	<u>—</u>
Total mutual and exchange traded funds	<u>6,949,115</u>	<u>6,949,115</u>	<u>—</u>
Common stocks			
Business services	12,056	12,056	—
Consumer discretionary	147,524	147,524	—
Consumer staples	79,609	79,609	—
Energy	179,701	179,701	—
Financial	187,831	187,831	—
Healthcare	222,684	222,684	—
Industrials	85,384	85,384	—
Materials	75,809	75,809	—
Media	10,502	10,502	—
Technology	263,887	263,887	—
Telecommunications	58,567	58,567	—
Utilities	<u>22,652</u>	<u>22,652</u>	<u>—</u>
Total common stocks	<u>1,346,206</u>	<u>1,346,206</u>	<u>—</u>
Total investments at fair value	<u>9,186,932</u>	<u>9,186,932</u>	<u>—</u>
Assets held at the Community Foundation of Greater Des Moines	<u>116,426</u>	<u>—</u>	<u>116,426</u>
Total assets at fair value	<u>\$9,303,358</u>	<u>\$9,186,932</u>	<u>\$ 116,426</u>

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 3 FAIR VALUE MEASUREMENTS (continued)

Assets held by the CFGDM consist of pooled funds. The Foundation holds a share of the pooled funds and net direct ownership of the underlying investments. Although the pooled funds include equity, fixed income, and other marketable securities, the pool itself is not a publicly traded instrument. Management estimates the fair value of its pooled funds at the statement of financial position date based on its relative ownership investment in the pool. All funds held at the CFGDM are considered Level 3 investments since there is not direct ownership of the underlying investments. However, the underlying investments in the pooled funds consist of investments that have been measured using Level 1, Level 2 and Level 3 inputs.

The following table provides a summary of changes in fair value of the Foundation's Level 3 funds for the year ended October 31, 2011 and 2010.

	<u>October 31</u>	
	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 116,426	\$ 104,663
Interest and dividends	2,148	2,102
Realized gains (losses)	2,804	(2,452)
Unrealized gains (losses)	(1,710)	12,857
Contributions	1,000	-
Investment expenses	<u>(823)</u>	<u>(744)</u>
Ending balance	<u>\$ 119,845</u>	<u>\$ 116,426</u>

NOTE 4 INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION OF GREATER DES MOINES

The Foundation has an interest in assets held at the Community Foundation of Greater Des Moines (CFGDM). The assets are invested in CFGDM's pooled endowment under an investment allocation determined by CFGDM's Investment Committee. At October 31, 2011, the majority of assets in the pooled fund were comprised of fixed income securities and domestic and international equities. The remaining assets are invested in money markets, real estate investment trusts, preferred stocks and hedge funds. The Foundation may request these assets or the net investment income of these assets at any time from the CFGDM. Distributions are not subject to variance power (ie, the CFGDM does not have the power to redirect the assets or the net investment income to an entity other than the Foundation). The realized gains/losses and unrealized appreciation/depreciation on the endowment at October 31, 2011, are reflected in unrestricted net assets.

The assets transferred to CFGDM are invested in a pooled endowment at the direction of the CFGDM's Investment Committee. The investment allocation at October 31, 2011 was as follows:

Domestic equity	24.8%
International equity	24.1
Fixed income	21.1
Cash composite	1.2
Hedge fund of funds	13.7
Real assets	7.8
Private equity	<u>7.3</u>
Total	<u>100.0%</u>

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at October 31, 2011 consist of unconditional contributions and grants primarily from individuals, governmental entities and corporations in the State of Iowa. They are discounted at 4%. The future collections of contributions and grants receivable as of October 31, 2011 are as follows:

Year ending October 31

2012	\$ 581,231
2013	448,207
2014	279,583
2015	243,500
2016	<u>228,000</u>
Total contributions and grants receivable	1,780,521
Less discount to present value	(170,000)
Less allowance for uncollectible contributions receivable	<u>(35,000)</u>
Net contributions and grants receivable	<u>\$1,575,521</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>October 31</u>	
	<u>2011</u>	<u>2010</u>
Building	\$2,900,141	\$ 5,975
Computer equipment	16,793	2,150
Construction in progress	2,470,067	554,361
Land improvements	459,399	-
Leasehold improvements	137,615	-
Vehicles	14,094	-
Zoo equipment	<u>58,399</u>	<u>58,399</u>
	6,056,508	620,885
Accumulated depreciation	<u>54,934</u>	<u>9,222</u>
Totals	<u>\$6,001,574</u>	<u>\$ 611,663</u>

NOTE 7 AGREEMENTS WITH THE CITY OF DES MOINES

The Foundation previously entered into a 28E agreement with the City of Des Moines, Iowa (the City). The purpose of the agreement is for the Foundation to provide the management and maintenance of the Blank Park Zoo. The term of the agreement began April 1, 2005 and was terminated May 1, 2011.

The 2005 agreement stated that the City retained title in all facilities, real property, certain equipment, animals, and other personal property which comprises the Zoo. The Foundation was responsible for all costs of the maintenance and operation of the Park. It was also responsible for the funding and construction of any new construction or improvements subject to certain approvals, and was responsible for all major capital repairs, replacement or reconstruction of equipment and structures. All revenues generated from the operation of the Zoo and Zoo related activities were to be retained by the Foundation.

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 7 AGREEMENTS WITH THE CITY OF DES MOINES (continued)

The Foundation entered into an Operation, Management and Maintenance Agreement with the City of Des Moines. The purpose of the agreement is for the Foundation to more fully undertake and implement the goals of the Super Block Master Plan relating to the Zoo and for the Foundation to enhance and improve the Park and the Zoo by being responsible for the construction of additional improvements and assuming full operating responsibility for the Zoo and the Park. The term of the agreement began May 1, 2011 and will continue through December 31, 2031, unless otherwise terminated, and contains a provision to automatically renew for two additional twenty year terms.

The City transferred ownership of certain furniture, equipment, supplies, materials, inventories, vehicles and other personal property used in the operation of the Zoo to the Foundation. The City also transferred ownership of all animals to the Foundation.

In consideration of the Foundation managing, operating and maintaining the property and for providing recreation, educational and other services to the general public, the City leases the property comprising the Zoo to the Foundation for \$1 a year for the initial twenty year term of the agreement and any renewal term.

The City will continue to provide the Foundation annual funding for the operation of the Zoo in the amount of \$290,000 through December 31, 2031.

The Foundation also entered into an Urban Renewal Economic Development agreement with the City effective April 2011. The agreement provides for an economic development grant from the City to the Foundation in the total amount of \$8,100,000 through June 2013. The purpose of the agreement is in accordance with the City's program to stimulate economic revitalization of the southeast area of the City. The receipt of grant proceeds is contingent upon the Foundation fulfilling certain conditions of the agreement. The Foundation has received \$4,400,000 of the grant funds as of October 31, 2011, with \$3,700,000 remaining on the agreement.

Accounts receivable from the City related to the above agreements were \$908,384 and \$99,289 as of October 31, 2011 and 2010, respectively.

NOTE 8 BOARD-DESIGNATED ENDOWMENT FUND

The Board-designated endowment fund consists of gifts received from an individual's estate. On an annual basis, the Board has committed to designate up to five percent of the annual average fund balance to be used for operations or for other purposes. The endowment fund cash is held in a separate investment account. \$283,723 and \$369,899 of the endowment funds were transferred to undesignated net assets in 2011 and 2010, respectively.

NOTE 9 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>October 31</u>	
	<u>2011</u>	<u>2010</u>
Expansion	\$3,243,436	\$3,284,419
Animal acquisition	37,110	65,738
Conservation program	32,212	16,024
Equipment replacement	13,182	8,182
Education	2,710	2,110
County grant	2,515	2,515
Wetlands project	1,596	7,770
Video production	1,280	303
Myron N. Blank Fund	<u>4,787,950</u>	<u>4,742,628</u>
Total	<u>\$8,121,991</u>	<u>\$8,129,689</u>

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 9 RESTRICTIONS ON NET ASSETS (continued)

The Myron N. Blank Fund was created through an agreement with the Foundation and Myron N. Blank in 2004. The agreement established an endowment fund to support the mission of the Foundation. All income and gains from the Fund are to be retained in the Fund. Distributions may be made from the Fund with approval from the Foundation's Board of Directors and subject to restrictions the Agreement imposes on distribution amounts. Ten years after the date of the gift, all distribution restrictions lapse.

Temporarily restricted net assets at October 31, 2011 are included in the following categories in the statement of financial position:

Cash	\$ 749,877
Investments	5,771,869
Contributions receivable	<u>1,600,245</u>
Total	<u>\$8,121,991</u>

NOTE 10 RETIREMENT PLAN

The Foundation has a Section 401(k) retirement plan covering employees who have met the eligibility requirements. To be eligible, an employee must meet certain hours worked requirements and be age 21. The Foundation's contributions to the plan are discretionary. Contributions to the plan for the years ended October 31, 2011 and 2010 were \$13,677 and \$9,826, respectively.

NOTE 11 CONDITIONAL PROMISES TO GIVE

The Foundation entered into a sponsorship agreement which commenced on April 1, 2007 and will end March 31, 2015. Payments in years one through two were \$25,000. Payments in years three through eight are conditional on a Zoo expansion project. If the Zoo expansion takes place, payments shall be \$25,000 annually. If the Zoo expansion does not take place, payments shall be \$5,000 annually. \$78,750 was received related to this agreement through October 31, 2011.

NOTE 12 ENDOWMENT FUNDS

The Foundation's endowment funds consist of board-designated net assets which are available for endowment purposes and temporarily restricted net assets. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has adopted the practice of 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. In accordance with the Iowa Prudent Management of Institutional Funds Act (IPMIFA), the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Blank Park Zoo Foundation, Incorporated
NOTES TO FINANCIAL STATEMENTS

NOTE 12 ENDOWMENT FUNDS (continued)

The change in endowment net assets was as follows for the year ended October 31, 2011:

	<u>Temporarily Restricted</u>	<u>Board- Designated</u>	<u>Total</u>
Balance, beginning of year	\$8,129,689	\$3,282,210	\$11,411,899
Contributions	6,168,257	-	6,168,257
Interest and dividends	90,321	74,166	164,487
Realized gains on sale of investments	125,060	161,755	286,815
Unrealized gains on investments	(68,180)	(85,320)	(153,500)
Expenditures/transfers	<u>(6,323,156)</u>	<u>(310,322)</u>	<u>(6,633,478)</u>
Balance, end of year	<u>\$8,121,991</u>	<u>\$3,122,489</u>	<u>\$11,244,480</u>

NOTE 13 COMMITMENTS

The Foundation entered into a contract commitment with a contractor for the completion of expansion projects. The total contract commitment was approximately \$4,800,000, of which approximately \$4,183,000 had been completed at October 31, 2011.

NOTE 14 PRIOR PERIOD ADJUSTMENT

An adjustment was required to the 2010 financial statements due to a change in the Foundation's agreement with the City of Des Moines which occurred during the year ended October 31, 2011. Costs related to expansion projects which were expensed in 2010 under the previous agreement totaled \$554,361. The current agreement requires these costs to be recognized as property and equipment. The effect of the change on the 2010 financial statements was to increase property and equipment, decrease program service expense and increase the change in net assets by \$554,361.

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through January 5, 2012, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Blank Park Zoo Foundation, Incorporated
Des Moines, Iowa

Our report on our audits of the basic financial statements of Blank Park Zoo Foundation, Incorporated appears on page 3. We conducted our audits for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information of Zoo revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information presented has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 5, 2012

Blank Park Zoo Foundation, Incorporated
ZOO REVENUES

	<u>Year ended October 31</u>	
	<u>2011</u>	<u>2010</u>
Special events	\$ 110,138	\$ 108,306
Development events	28,452	29,415
Educational programs	200,525	160,475
Volunteer income	1,025	1,010
Miscellaneous income	24,765	21,337
Rentals	70,718	40,345
Admissions	1,137,854	1,122,464
Train rides	153,341	138,431
Camel rides	35,231	23,996
Kid's Kingdom	59,012	22,452
Vending	95,850	75,834
Stroller rental	8,622	8,176
Gift shop	485,321	448,769
Food		
Grill	47,253	42,972
Cart	6,445	3,778
Catering	12,880	8,156
Sponsorships	180,840	134,875
KIOSK	<u>70,263</u>	<u>—</u>
 Total Zoo revenues	 <u>\$2,728,535</u>	 <u>\$2,390,791</u>

Blank Park Zoo Foundation, Incorporated
EXPENSES

Year ended October 31, 2011

	<u>Program services</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total</u>
Restricted projects	\$ 337,797	\$ —	\$ —	\$ 337,797
Annual giving	—	45,597	—	45,597
Membership	39,604	—	—	39,604
Night Eyes	47,597	—	—	47,597
Special events	68,950	—	—	68,950
Visiting animals	84,466	—	—	84,466
Development events	—	31,903	—	31,903
Educational programs	33,537	—	—	33,537
Volunteer	3,464	—	—	3,464
Salaries	1,415,649	85,797	643,476	2,144,922
Payroll taxes and benefits	239,966	14,543	109,076	363,585
Veterinary and laboratory	91,437	—	—	91,437
Protection and security	62,524	—	—	62,524
Postage and delivery	—	—	10,800	10,800
Utilities	164,060	—	—	164,060
Telephone and internet	—	—	38,523	38,523
Marketing	195,811	—	—	195,811
Photocopy and reproduction	—	—	9,031	9,031
Insurance	—	—	76,791	76,791
Repairs and maintenance	146,219	—	—	146,219
Equipment rental	—	—	4,444	4,444
Licenses and permits	4,667	—	—	4,667
Dues and subscriptions	—	—	23,421	23,421
Waste removal	8,677	—	—	8,677
Vehicle maintenance	10,499	—	—	10,499
Office supplies	19,564	—	—	19,564
Chemicals and gases	8,278	—	—	8,278
Fuel	20,513	—	—	20,513
Cleaning, janitorial and sanitary	29,176	—	—	29,176
Feed	117,512	—	—	117,512
Supplies	6,069	—	—	6,069
Maintenance supplies	19,478	—	—	19,478
Tools	4,305	—	—	4,305
Uniforms	9,486	—	—	9,486
Safety and protective equipment	2,500	—	—	2,500
Animal bedding	4,007	—	—	4,007
Merchandise for resale	284,184	—	—	284,184
Miscellaneous operating expenses	31,163	—	—	31,163
Meetings/promotion	2,805	—	—	2,805
Bank charges/fees	—	—	88,727	88,727
Payroll processing fees	—	—	37,089	37,089
Legal and accounting	—	—	19,872	19,872
Board expense	—	—	7,422	7,422
Vehicle replacement	5,000	—	—	5,000
Conservation support	20,066	—	—	20,066
Travel and training	—	—	34,604	34,604
Mileage	—	—	4,525	4,525
Capital outlay	68,870	—	—	68,870
Depreciation	45,712	—	—	45,712
Totals	<u>\$3,653,612</u>	<u>\$ 177,840</u>	<u>\$1,107,801</u>	<u>\$4,939,253</u>

Year ended October 31, 2010

(As Restated)

Program services	Fundraising	Management and general	Total
\$ 425,152	\$ —	\$ —	\$ 425,152
—	62,280	—	62,280
35,085	—	—	35,085
37,297	—	—	37,297
68,689	—	—	68,689
46,743	—	—	46,743
—	26,325	—	26,325
30,479	—	—	30,479
1,787	—	—	1,787
1,512,858	135,769	290,934	1,939,561
299,184	26,850	57,535	383,569
78,501	—	—	78,501
63,829	—	—	63,829
—	—	9,678	9,678
151,008	—	—	151,008
—	—	38,792	38,792
195,127	—	—	195,127
—	—	7,114	7,114
—	—	77,062	77,062
115,357	—	—	115,357
—	—	1,784	1,784
6,053	—	—	6,053
—	—	20,212	20,212
397	—	—	397
7,227	—	—	7,227
23,623	—	—	23,623
14,760	—	—	14,760
9,050	—	—	9,050
30,462	—	—	30,462
95,725	—	—	95,725
1,264	—	—	1,264
23,027	—	—	23,027
1,523	—	—	1,523
6,479	—	—	6,479
2,093	—	—	2,093
2,799	—	—	2,799
208,065	—	—	208,065
35,253	—	—	35,253
3,378	—	—	3,378
—	—	85,579	85,579
—	—	9,332	9,332
—	—	33,403	33,403
—	—	14,145	14,145
—	—	—	—
—	—	—	—
—	—	26,486	26,486
—	—	3,940	3,940
63,334	—	—	63,334
<u>9,222</u>	<u>—</u>	<u>—</u>	<u>9,222</u>
<u>\$3,604,830</u>	<u>\$ 251,224</u>	<u>\$ 675,996</u>	<u>\$4,532,050</u>