

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

CONSOLIDATED FINANCIAL REPORT

October 31, 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Blank Park Zoo Foundation, Incorporated and Affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of October 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blank Park Zoo Foundation, Incorporated and Affiliate as of October 31, 2013 and 2012, 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.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 15, 2014

**Blank Park Zoo Foundation, Incorporated and Affiliate
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

ASSETS	October 31	
	2013	2012
Cash	\$ 1,855,660	\$ 2,565,682
Investments	823,588	8,888,250
Interest in assets held at Community Foundation of Greater Des Moines	8,406,041	136,867
Accounts receivable		
City of Des Moines	24,167	24,167
Other	52,766	54,215
Contributions and grants receivable, net of allowance for uncollectibles, 2013 and 2012 - \$35,000	1,238,515	2,040,594
Inventory	57,935	63,743
Prepaid expenses	65,281	54,980
Land	1,610,000	1,610,000
Property and equipment, net of accumulated depreciation, 2013 - \$537,529; 2012 - \$233,854	<u>14,288,619</u>	<u>10,509,368</u>
Total assets	<u>\$28,422,572</u>	<u>\$25,947,866</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,474,096	\$ 1,204,044
Accrued payroll and vacations	274,476	234,260
Event deposits	16,418	35,354
Total liabilities	<u>1,764,990</u>	<u>1,473,658</u>
NET ASSETS		
Unrestricted net assets		
Undesignated	15,169,250	11,773,398
Board-designated endowment fund	<u>3,514,253</u>	<u>3,285,336</u>
Total unrestricted net assets	<u>18,683,503</u>	<u>15,058,734</u>
Temporarily restricted	<u>7,974,079</u>	<u>9,415,474</u>
Total net assets	<u>26,657,582</u>	<u>24,474,208</u>
Total liabilities and net assets	<u>\$28,422,572</u>	<u>\$25,947,866</u>

See Notes to Consolidated Financial Statements.

Blank Park Zoo Foundation, Incorporated and Affiliate
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year ended October 31, 2013			
	Unrestricted	Unrestricted Board- designated endowment	Temporarily restricted	Total
REVENUE				
Contributions	\$ 326,494	\$ —	\$1,766,314	\$ 2,092,808
Zoo revenues	3,533,944	—	—	3,533,944
Memberships	759,595	—	—	759,595
BRAVO	150,000	—	—	150,000
Night Eyes	130,445	—	—	130,445
City of Des Moines contributions	290,000	—	—	290,000
Grant income	4,470	—	—	4,470
Interest and dividends	—	135,770	52,682	188,452
Realized gains on sale of investments	—	565,587	720,839	1,286,426
Unrealized (losses) on investments	—	(37,105)	(360,985)	(398,090)
Net assets released from restrictions	272,989	—	(272,989)	—
Total revenue	<u>5,467,937</u>	<u>664,252</u>	<u>1,905,861</u>	<u>8,038,050</u>
EXPENSES				
Program services	4,384,216	—	—	4,384,216
Fundraising	192,702	—	—	192,702
Management and general	1,277,758	—	—	1,277,758
Total expenses	<u>5,854,676</u>	<u>—</u>	<u>—</u>	<u>5,854,676</u>
CHANGE IN NET ASSETS	(386,739)	664,252	1,905,861	2,183,374
NET ASSET TRANSFERS	3,782,591	(435,335)	(3,347,256)	—
NET ASSETS				
Beginning of the year	<u>11,773,398</u>	<u>3,285,336</u>	<u>9,415,474</u>	<u>24,474,208</u>
End of year	<u>\$15,169,250</u>	<u>\$3,514,253</u>	<u>\$7,974,079</u>	<u>\$26,657,582</u>

See Notes to Consolidated Financial Statements.

Year ended October 31, 2012

<u>Unrestricted</u>	<u>Unrestricted Board- designated endowment</u>	<u>Temporarily restricted</u>	<u>Total</u>
\$ 213,920	\$ —	\$4,574,397	\$ 4,788,317
3,243,880	—	—	3,243,880
692,588	—	—	692,588
150,000	—	—	150,000
110,460	—	—	110,460
290,000	—	—	290,000
24,530	—	—	24,530
—	69,686	100,974	170,660
—	358,361	511,185	869,546
—	(121,574)	(216,988)	(338,562)
<u>321,649</u>	<u>—</u>	<u>(321,649)</u>	<u>—</u>
<u>5,047,027</u>	<u>306,473</u>	<u>4,647,919</u>	<u>10,001,419</u>
3,968,456	—	—	3,968,456
192,445	—	—	192,445
<u>1,266,225</u>	<u>—</u>	<u>—</u>	<u>1,266,225</u>
<u>5,427,126</u>	<u>—</u>	<u>—</u>	<u>5,427,126</u>
(380,099)	306,473	4,647,919	4,574,293
3,498,062	(143,626)	(3,354,436)	—
<u>8,655,435</u>	<u>3,122,489</u>	<u>8,121,991</u>	<u>19,899,915</u>
<u>\$11,773,398</u>	<u>\$3,285,336</u>	<u>\$9,415,474</u>	<u>\$24,474,208</u>

See Notes to Consolidated Financial Statements.

**Blank Park Zoo Foundation, Incorporated and Affiliate
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended October 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$2,183,374	\$ 4,574,293
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	303,675	178,921
Unrealized and realized (gains) on investments	(888,336)	(530,984)
Change in assets and liabilities		
Decrease in accounts receivable	1,449	883,938
(Increase) decrease in contributions receivable	802,079	(465,073)
Decrease in inventory	5,808	19,454
(Increase) in prepaid expenses	(10,301)	(6,695)
Increase in accounts payable and accrued expenses, net of property and equipment payables	462,308	34,484
Increase in accrued payroll and vacations	40,216	55,542
Increase (decrease) in event deposits	(18,936)	3,807
Net cash provided by operating activities	<u>2,881,336</u>	<u>4,747,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,618,017)	(23,429,129)
Proceeds from sale of investments	4,301,841	23,829,354
Purchase of property and equipment	(4,275,182)	(4,028,462)
Net cash (used in) investing activities	<u>(3,591,358)</u>	<u>(3,628,237)</u>
INCREASE (DECREASE) IN CASH	(710,022)	1,119,450
CASH		
Beginning	<u>2,565,682</u>	<u>1,446,232</u>
Ending	<u>\$1,855,660</u>	<u>\$ 2,565,682</u>

See Notes to Consolidated Financial Statements.

**Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED 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.

Blank Park Endowment Corporation was organized under the laws of the State of Iowa exclusively for the benefit of, to support the functions of, and to assist in carrying out the purposes of the Blank Park Foundation, Incorporated, and is organized, and at all times hereafter, is operated exclusively for the benefit of the Blank Park Zoo Foundation, Incorporated.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Blank Park Zoo Foundation, Incorporated and its affiliate, Blank Park Endowment Corporation (collectively known as the Foundation), which have been consolidated in accordance with the Not-for-Profit Entities Consolidation Topic of the *FASB Accounting Standards Codification*. All significant intercompany accounts and transactions between entities have been eliminated in consolidation.

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 and Assets Held at the Community Foundation of Greater Des Moines

The Foundation values its investments and Assets Held at the Community Foundation of Greater Des Moines 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

As required by the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification*, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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.

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 2008 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.

Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

NOTE 2 INVESTMENTS

Investments held at October 31, 2013 and October 31, 2012 are summarized as follows:

	October 31, 2013			October 31, 2012		
	Fair value	Cost	Unrealized appreciation	Fair value	Cost	Unrealized appreciation
Money market funds	\$ 23,738	\$ 23,738	\$ -	\$ 141,749	\$ 141,749	\$ -
Mutual funds and exchange traded funds	-	-	-	7,551,483	6,970,845	580,638
Hedge funds	<u>799,850</u>	<u>777,187</u>	<u>22,663</u>	<u>1,195,018</u>	<u>1,175,000</u>	<u>20,018</u>
Totals	<u>\$ 823,588</u>	<u>\$ 800,925</u>	<u>\$ 22,663</u>	<u>\$8,888,250</u>	<u>\$8,287,594</u>	<u>\$ 600,656</u>
Components of investment return						
Interest and dividend income		\$ 188,452			\$ 170,660	
Realized gain on sale of investments		1,286,426			869,546	
Unrealized (loss) from adjustment to market value		<u>(398,090)</u>			<u>(338,562)</u>	
Total investment return		<u>\$1,076,788</u>			<u>\$ 701,644</u>	

NOTE 3 FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification* requires 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.

Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 FAIR VALUE MEASUREMENTS (continued)

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.

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.

Fair values of assets measured on a recurring basis at October 31, 2013 and 2012 are as follows:

<u>Description</u>	<u>Fair value 10/31/13</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments				
Money market funds	\$ <u>23,738</u>	\$ <u>23,738</u>	\$ <u>—</u>	\$ <u>—</u>
Hedge funds	<u>799,850</u>	<u>—</u>	<u>—</u>	<u>799,850</u>
Total investments at fair value	<u>823,588</u>	<u>23,738</u>	<u>—</u>	<u>799,850</u>
Assets held at the Community Foundation of Greater Des Moines	<u>8,406,041</u>	<u>—</u>	<u>—</u>	<u>8,406,041</u>
Total assets at fair value	<u>\$9,229,629</u>	<u>\$ 23,738</u>	<u>\$ —</u>	<u>\$9,205,891</u>

Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 FAIR VALUE MEASUREMENTS (continued)

<u>Description</u>	<u>Fair value 10/31/12</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments				
Money market funds	\$ <u>141,749</u>	\$ <u>141,749</u>	\$ —	\$ —
Hedge funds	<u>1,195,018</u>	—	—	<u>1,195,018</u>
Mutual and exchange traded funds				
Total bond market	798,391	798,391	—	—
Mid cap value	251,581	251,581	—	—
Large value	536,083	536,083	—	—
Emerging markets bond	241,418	241,418	—	—
Mid cap growth	354,433	354,433	—	—
Large growth	559,567	559,567	—	—
Inflation protected bond	168,588	168,588	—	—
Intermediate term bond	236,611	236,611	—	—
Foreign large value	258,488	258,488	—	—
Multi sector bond	247,068	247,068	—	—
Short term bond	398,587	398,587	—	—
World bond	484,570	484,570	—	—
Short government	295,094	295,094	—	—
Foreign large growth	257,304	257,304	—	—
Small blend	71,603	71,603	—	—
Foreign large blend	179,575	179,575	—	—
Real estate	228,601	228,601	—	—
Commodities broad basket	69,506	69,506	—	—
Diversified emerging markets	684,090	684,090	—	—
World allocation	<u>1,230,325</u>	<u>1,230,325</u>	—	—
Total mutual and exchange traded funds	<u>7,551,483</u>	<u>7,551,483</u>	—	—
Total investments at fair value	<u>8,888,250</u>	<u>7,693,232</u>	—	<u>1,195,018</u>
Assets held at the Community Foundation of Greater Des Moines	<u>136,867</u>	—	—	<u>136,867</u>
Total assets at fair value	<u>\$9,025,117</u>	<u>\$7,693,232</u>	<u>\$ —</u>	<u>\$1,331,885</u>

**Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED 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 held by the CFGDM for the year ended October 31, 2013 and 2012.

	<u>October 31</u>	
	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 136,867	\$ 119,845
Interest and dividends	51,932	2,428
Realized gains	187,380	2,415
Unrealized gains	180,454	12,479
Contributions/transfers	7,865,537	536
Investment expenses	<u>(16,129)</u>	<u>(836)</u>
Ending balance	<u>\$8,406,041</u>	<u>\$ 136,867</u>

The following table provides a summary of changes in fair value of the Foundation's Level 3 other investment funds for the years ended October 31, 2013 and 2012.

	<u>October 31</u>	
	<u>2013</u>	<u>2012</u>
Beginning balance	\$1,195,018	\$ -
Unrealized gains	2,645	20,018
Contributions/sales/transfers	<u>(397,813)</u>	<u>1,175,000</u>
Ending balance	<u>\$ 799,850</u>	<u>\$1,195,018</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, 2013, the majority of assets in the pooled fund were comprised of fixed income securities and domestic and international equities and hedge funds. The remaining assets are invested in money markets, real estate investment trusts, and preferred stocks. 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, 2013, are reflected in unrestricted net assets.

**Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

The investment allocation at October 31, 2013 was as follows:

Domestic equity	31.2%
International equity	28.6
Fixed income	14.0
Cash composite	4.5
Hedge fund of funds	14.4
Real assets	1.9
Private equity	<u>5.4</u>
Total	<u>100.0%</u>

NOTE 5 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at October 31, 2013 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, 2013 are as follows:

Year ending October 31

2014	\$ 552,182
2015	363,833
2016	344,000
2017	<u>113,500</u>
Total contributions and grants receivable	1,373,515
Less discount to present value	100,000
Less allowance for uncollectible contributions receivable	<u>35,000</u>
Net contributions and grants receivable	<u>\$1,238,515</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>October 31</u>	
	<u>2013</u>	<u>2012</u>
Building	\$ 9,785,450	\$ 5,212,587
Computer equipment	23,979	19,897
Construction in progress	2,308,644	4,016,176
Land improvements	2,002,296	1,082,120
Leasehold improvements	555,982	308,551
Vehicles	78,056	38,872
Zoo equipment	<u>71,741</u>	<u>65,019</u>
	14,826,148	10,743,222
Accumulated depreciation	<u>537,529</u>	<u>233,854</u>
Totals	<u>\$14,288,619</u>	<u>\$10,509,368</u>

**Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 AGREEMENTS WITH THE CITY OF DES MOINES

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 \$8,100,000 of the grant funds as of October 31, 2013.

Accounts receivable from the City related to the above agreements was \$24,167 as of October 31, 2013 and 2012.

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. \$300,000 and \$211,748 of the endowment funds were transferred to undesignated net assets in 2013 and 2012, respectively.

NOTE 9 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>October 31</u>	
	<u>2013</u>	<u>2012</u>
Expansion	\$2,676,394	\$4,298,339
Animal acquisition	6,962	-
Conservation program	64,673	40,832
Equipment replacement	19,682	13,682
Education	3,085	3,585
County grant	2,515	2,515
Wetlands project	1,596	1,596
Video production	2,811	2,661
ZACC conference	-	6,220
Myron N. Blank Fund	<u>5,196,361</u>	<u>5,046,044</u>
Total	<u>\$7,974,079</u>	<u>\$9,415,474</u>

Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED 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, 2013 are included in the following categories in the statement of financial position:

Cash	\$1,052,315
Investments	5,676,271
Contributions receivable	<u>1,245,493</u>
Total	<u>\$7,974,079</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, 2013 and 2012 were \$15,524 and \$14,972, 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. An addendum to the original agreement was entered into on April 1, 2012 and will continue through March 31, 2015 and can be extended for an additional two years. Sponsorship payments shall be \$19,000 annually. The sponsor will provide product samples annually to be used for Night Eyes and will also promote two events annually for the Zoo. \$107,250 was received related to this agreement through October 31, 2013.

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.

**Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 12 ENDOWMENT FUNDS (continued)

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

The change in endowment net assets was as follows for the year ended October 31, 2013:

	<u>Temporarily Restricted</u>	<u>Board- Designated</u>	<u>Total</u>
Balance, beginning of year	\$9,415,474	\$3,285,336	\$12,700,810
Contributions	1,766,314	-	1,766,314
Interest and dividends	52,682	135,770	188,452
Realized gains on sale of investments	720,839	565,587	1,286,426
Unrealized (losses) on investments	(360,985)	(37,105)	(398,090)
Expenditures/transfers	<u>(3,620,245)</u>	<u>(435,335)</u>	<u>(4,055,580)</u>
Balance, end of year	<u>\$7,974,079</u>	<u>\$3,514,253</u>	<u>\$11,488,332</u>

The change in endowment net assets was as follows for the year ended October 31, 2012:

	<u>Temporarily Restricted</u>	<u>Board- Designated</u>	<u>Total</u>
Balance, beginning of year	\$ 8,121,991	\$3,122,489	\$11,244,480
Contributions	4,574,397	-	4,574,397
Interest and dividends	100,974	69,686	170,660
Realized gains on sale of investments	511,185	358,361	869,546
Unrealized (losses) on investments	(216,988)	(121,574)	(338,562)
Expenditures/transfers	<u>(3,676,085)</u>	<u>(143,626)</u>	<u>(3,819,711)</u>
Balance, end of year	<u>\$ 9,415,474</u>	<u>\$3,285,336</u>	<u>\$12,700,810</u>

NOTE 13 COMMITMENTS

The Foundation entered into contract commitments with a contractor for the completion of expansion projects. The total contract commitments were approximately \$2,511,000, of which approximately \$2,144,000 had been completed at October 31, 2013.

**Blank Park Zoo Foundation, Incorporated and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through January 15, 2014, 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 and Affiliate
Des Moines, Iowa

We have audited the consolidated financial statements of Blank Park Zoo Foundation, Incorporated and Affiliate as of and for the years ended October 31, 2013 and 2012, and have issued our report thereon dated January 15, 2014, which expressed an unmodified opinion on those financial statements, and appears on page 3. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 15, 2014

**Blank Park Zoo Foundation, Incorporated and Affiliate
ZOO REVENUES**

	<u>Year ended October 31</u>	
	<u>2013</u>	<u>2012</u>
Special events	\$ 397,654	\$ 219,992
Development events	118,822	123,898
Educational programs	215,298	220,634
Volunteer income	2,875	2,250
Miscellaneous income	40,087	26,430
Rentals	109,511	114,441
Admissions	1,318,160	1,217,051
Train rides	200,947	165,496
Camel rides	38,832	36,712
Carousel rides	47,957	12,046
Kid's Kingdom	84,767	91,958
Vending	96,430	84,299
Stroller rental	4,896	5,505
Gift shop	549,434	537,611
Food		
Grill	64,532	65,383
Cart	5,026	3,708
Catering	20,695	22,445
Sponsorships	180,980	287,445
KIOSK	<u>37,041</u>	<u>6,576</u>
 Total Zoo revenues	 <u>\$3,533,944</u>	 <u>\$3,243,880</u>

**Blank Park Zoo Foundation, Incorporated and Affiliate
EXPENSES**

	Year ended October 31, 2013			
	<u>Program services</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total</u>
Restricted projects	\$ 272,989	\$ —	\$ —	\$ 272,989
Annual giving	—	28,594	—	28,594
Membership	37,499	—	—	37,499
Night Eyes	47,346	—	—	47,346
Special events	143,287	—	—	143,287
Visiting animals	—	—	—	—
Development events	—	46,742	—	46,742
Educational programs	33,759	—	—	33,759
Volunteer	6,715	—	—	6,715
Salaries	1,651,089	100,066	750,495	2,501,650
Payroll taxes and benefits	285,442	17,300	129,746	432,488
Veterinary and laboratory	129,515	—	—	129,515
Protection and security	43,653	—	—	43,653
Postage and delivery	—	—	21,230	21,230
Utilities	208,365	—	—	208,365
Telephone and internet	—	—	34,469	34,469
Marketing	218,348	—	—	218,348
Photocopy and reproduction	—	—	12,995	12,995
Insurance	—	—	90,674	90,674
Repairs and maintenance	197,388	—	—	197,388
Equipment rental	—	—	3,649	3,649
Licenses and permits	7,197	—	—	7,197
Dues and subscriptions	—	—	29,150	29,150
Waste removal	17,304	—	—	17,304
Vehicle maintenance	18,566	—	—	18,566
Office supplies	14,418	—	—	14,418
Chemicals and gases	5,954	—	—	5,954
Fuel	23,468	—	—	23,468
Cleaning, janitorial and sanitary	67,553	—	—	67,553
Feed	169,633	—	—	169,633
Supplies	13,150	—	—	13,150
Maintenance supplies	16,145	—	—	16,145
Tools	4,966	—	—	4,966
Uniforms	12,629	—	—	12,629
Safety and protective equipment	4,788	—	—	4,788
Animal bedding	7,250	—	—	7,250
Merchandise for resale	270,710	—	—	270,710
Miscellaneous operating expenses	60,218	—	—	60,218
Meetings/promotion	3,395	—	—	3,395
Bank charges/fees	—	—	76,156	76,156
Payroll processing fees	—	—	47,051	47,051
Legal and accounting	—	—	32,042	32,042
Board expense	—	—	8,565	8,565
Vehicle replacement	—	—	—	—
Conservation support	14,703	—	—	14,703
Travel and training	—	—	38,356	38,356
Mileage	—	—	3,180	3,180
Capital outlay	73,099	—	—	73,099
Depreciation	<u>303,675</u>	<u>—</u>	<u>—</u>	<u>303,675</u>
Totals	<u>\$4,384,216</u>	<u>\$ 192,702</u>	<u>\$1,277,758</u>	<u>\$5,854,676</u>

Year ended October 31, 2012

<u>Program services</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total</u>
\$ 321,649	\$ -	\$ -	\$ 321,649
-	27,278	-	27,278
40,324	-	-	40,324
45,950	-	-	45,950
106,063	-	-	106,063
78,343	-	-	78,343
-	56,513	-	56,513
33,037	-	-	33,037
5,147	-	-	5,147
1,524,470	92,392	692,941	2,309,803
268,319	16,262	121,963	406,544
115,457	-	-	115,457
42,812	-	-	42,812
-	-	26,915	26,915
173,728	-	-	173,728
-	-	43,812	43,812
202,823	-	-	202,823
-	-	11,561	11,561
-	-	82,801	82,801
131,708	-	-	131,708
-	-	196	196
6,278	-	-	6,278
-	-	23,593	23,593
20,425	-	-	20,425
8,363	-	-	8,363
16,134	-	-	16,134
5,101	-	-	5,101
18,813	-	-	18,813
56,518	-	-	56,518
124,358	-	-	124,358
4,038	-	-	4,038
11,985	-	-	11,985
6,967	-	-	6,967
11,562	-	-	11,562
2,711	-	-	2,711
1,807	-	-	1,807
277,064	-	-	277,064
34,512	-	-	34,512
2,580	-	-	2,580
-	-	108,968	108,968
-	-	39,639	39,639
-	-	68,566	68,566
-	-	8,934	8,934
4,154	-	-	4,154
17,944	-	-	17,944
-	-	33,091	33,091
-	-	3,245	3,245
68,391	-	-	68,391
<u>178,921</u>	<u>-</u>	<u>-</u>	<u>178,921</u>
<u>\$3,968,456</u>	<u>\$ 192,445</u>	<u>\$1,266,225</u>	<u>\$5,427,126</u>