

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

CONSOLIDATED FINANCIAL REPORT

October 31, 2016

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position	4
Consolidated statements of activities	5-6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8-18
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	19
SUPPLEMENTARY INFORMATION	
Zoo revenues	20
Schedule of functional expenses	21-22



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, 2016 and 2015, 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 audits 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 Foundation'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 Foundation'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, 2016 and 2015, 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
DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 6, 2017

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

ASSETS	October 31	
	2016	2015
Cash	\$ 1,897,879	\$ 2,195,797
Interest in assets held at Community Foundation of Greater Des Moines	8,687,263	8,989,057
Accounts receivable		
City of Des Moines	24,167	24,167
Other	109,220	106,445
Contributions and grants receivable, net of allowance for uncollectibles	1,448,286	506,766
Inventory	53,572	53,569
Prepaid expenses	101,852	85,952
Land	1,000,000	1,000,000
Property and equipment, net of accumulated depreciation	<u>16,051,353</u>	<u>15,205,737</u>
Total assets	<u>\$29,373,592</u>	<u>\$28,167,490</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and deferred grant revenue	\$ 655,848	\$ 883,199
Accrued payroll and vacations	388,995	338,995
Event deposits	<u>29,664</u>	<u>28,572</u>
Total liabilities	<u>1,074,507</u>	<u>1,250,766</u>
NET ASSETS		
Unrestricted net assets		
Undesignated	16,722,095	15,953,365
Board-designated	<u>9,950,491</u>	<u>10,166,499</u>
Total unrestricted net assets	<u>26,672,586</u>	<u>26,119,864</u>
Temporarily restricted	<u>1,626,499</u>	<u>796,860</u>
Total net assets	<u>28,299,085</u>	<u>26,916,724</u>
Total liabilities and net assets	<u>\$29,373,592</u>	<u>\$28,167,490</u>

See Notes to Consolidated Financial Statements.

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

	Year ended October 31, 2016			
	Unrestricted	Unrestricted Board- designated	Temporarily restricted	Total
REVENUE				
Contributions	\$ 362,806	\$ —	\$ 2,254,402	\$ 2,617,208
Zoo revenues	4,524,039	—	—	4,524,039
Memberships	878,009	—	—	878,009
BRAVO	150,000	—	—	150,000
City of Des Moines contributions	290,000	—	—	290,000
Grant income	20,000	—	—	20,000
Interest and dividends	—	166,351	488	166,839
Realized gains on sale of investments	—	328,639	569	329,208
Unrealized (losses) on investments	—	(196,023)	(437)	(196,460)
Net assets released from restrictions	<u>1,425,383</u>	<u>—</u>	<u>(1,425,383)</u>	<u>—</u>
Total revenue	<u>7,650,237</u>	<u>298,967</u>	<u>829,639</u>	<u>8,778,843</u>
EXPENSES				
Program services	5,522,262	—	—	5,522,262
Fundraising	275,884	—	—	275,884
Management and general	<u>1,598,336</u>	<u>—</u>	<u>—</u>	<u>1,598,336</u>
Total expenses	<u>7,396,482</u>	<u>—</u>	<u>—</u>	<u>7,396,482</u>
CHANGE IN NET ASSETS BEFORE IMPAIRMENT OF VALUE OF LAND	253,755	298,967	829,639	1,382,361
LOSS ON IMPAIRMENT OF LAND	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
CHANGE IN NET ASSETS	253,755	298,967	829,639	1,382,361
NET ASSET TRANSFERS	514,975	(514,975)	—	—
NET ASSETS				
Beginning of the year	<u>15,953,365</u>	<u>10,166,499</u>	<u>796,860</u>	<u>26,916,724</u>
End of year	<u>\$16,722,095</u>	<u>\$ 9,950,491</u>	<u>\$ 1,626,499</u>	<u>\$28,299,085</u>

See Notes to Consolidated Financial Statements.

Year ended October 31, 2015

<u>Unrestricted</u>	<u>Unrestricted Board- designated</u>	<u>Temporarily restricted</u>	<u>Total</u>
\$ 1,402,101	\$ —	\$ 406,970	\$ 1,809,071
4,112,729	—	—	4,112,729
853,297	—	—	853,297
150,000	—	—	150,000
290,000	—	—	290,000
20,000	—	—	20,000
—	182,567	501	183,068
—	191,690	527	192,217
—	(226,203)	(617)	(226,820)
<u>906,747</u>	<u>5,762,251</u>	<u>(6,668,998)</u>	<u>—</u>
<u>7,734,874</u>	<u>5,910,305</u>	<u>(6,261,617)</u>	<u>7,383,562</u>
5,192,655	—	—	5,192,655
260,924	—	—	260,924
<u>1,490,143</u>	<u>—</u>	<u>—</u>	<u>1,490,143</u>
<u>6,943,722</u>	<u>—</u>	<u>—</u>	<u>6,943,722</u>
791,152	5,910,305	(6,261,617)	439,840
<u>(610,000)</u>	<u>—</u>	<u>—</u>	<u>(610,000)</u>
181,152	5,910,305	(6,261,617)	(170,160)
960,862	(960,862)	—	—
<u>14,811,351</u>	<u>5,217,056</u>	<u>7,058,477</u>	<u>27,086,884</u>
<u>\$15,953,365</u>	<u>\$10,166,499</u>	<u>\$ 796,860</u>	<u>\$26,916,724</u>

See Notes to Consolidated Financial Statements.

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

	Year ended October 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$1,382,361	\$ (170,160)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	716,589	666,791
Unrealized and realized (gains) losses on investments	(132,748)	34,603
Reinvested dividends	(163,258)	(183,068)
Impairment of value of land	-	610,000
Change in assets and liabilities		
Accounts receivable	(2,775)	(16,408)
Contributions and grants receivable	(941,520)	305,245
Inventory	(3)	19,907
Prepaid expenses	(15,900)	(33,144)
Accounts payable and accrued expenses, net of property and equipment payables	(517,781)	118,722
Accrued payroll and vacations	50,000	61,732
Event deposits	<u>1,092</u>	<u>4,247</u>
Net cash provided by operating activities	<u>376,057</u>	<u>1,418,467</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,842,900)	(419,762)
Proceeds from sale of investments	9,440,700	466,648
Purchase of property and equipment	<u>(1,271,775)</u>	<u>(1,232,593)</u>
Net cash (used in) investing activities	<u>(673,975)</u>	<u>(1,185,707)</u>
NET INCREASE (DECREASE) IN CASH	(297,918)	232,760
CASH		
Beginning	<u>2,195,797</u>	<u>1,963,037</u>
Ending	<u>\$1,897,879</u>	<u>\$2,195,797</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 as a nonprofit corporation 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.

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 net assets are those assets that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Foundation's governing board may earmark portions of its unrestricted net assets as board-designated for various purposes. Contributions which were given with donor-imposed stipulations whose restrictions are met in the year received are reported as unrestricted contributions.

Temporarily restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to those stipulations. As donor-imposed stipulations expire, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

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.

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

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

Cash

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

Interest in Assets Held at the Community Foundation of Greater Des Moines

The Foundation values its interest in Assets Held at the Community Foundation of Greater Des Moines (CFGDM) at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the accompanying consolidated statement of activities.

Investments

The Foundation carries investments at their fair values in the consolidated statements of financial position. Realized and unrealized gains and losses are included in the consolidated statements of activities. Realized gains and investment income limited by restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as when recognized.

Accounts Receivable

The Foundation records receivables for program services at the amount billed for such services at the time the service was performed. Accounts receivable are carried at the amount the Foundation expects to collect on balances outstanding at year end. An allowance for doubtful accounts is recorded when accounts are deemed uncollectible. The Foundation considers all accounts fully collectible and, therefore, an allowance for doubtful accounts has not been recorded.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor 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 as of October 31, 2016 and 2015.

Contributions and Grants Receivable

Unconditional contributions receivable are recognized as receivables and contributions in the period received. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met. An allowance for uncollectible contributions is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity. At October 31, 2016 and 2015, the allowance for uncollectible contributions was \$35,000.

Unconditional contributions that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions that are expected to be collected in future years are recorded at fair value using present value techniques. Amortization of the discount is included in contribution revenue.

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

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

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.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The Foundation is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations for tax years prior to 2012.

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 consolidated 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 and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Revenue Recognition

The Foundation is the recipient of a grant from Vision Iowa for the Foundation's expansion project. Grant revenue will be recognized as costs related to the project are incurred. The balance of the deferred grant revenues reported in the statement of financial position is \$512,367 as of October 31, 2015. During the year ended October 31, 2016 costs were incurred on the project and the balance was subsequently recorded to contributions.

Reclassifications

Certain amounts have been reclassified in the 2015 financial statements in order to conform with the 2016 presentation with no effect on the change in net assets.

NOTE 2 INVESTMENTS

Investments held at October 31, 2016 and October 31, 2015 are summarized as follows:

	October 31, 2016			October 31, 2015		
	Fair value	Cost	Unrealized (depreciation)	Fair value	Cost	Unrealized appreciation
Assets held at the Community Foundation of Greater Des Moines						
Money market funds	\$5,540,552	\$5,540,552	\$ -	\$ -	\$ -	\$ -
Fixed income securities	305,642	308,675	(3,033)	-	-	-
Equity securities	1,653,846	1,672,673	(18,827)	-	-	-
Alternative investments	748,413	751,000	(2,587)	-	-	-
Real assets	438,810	455,363	(16,553)	-	-	-
Pooled funds	-	-	-	8,989,057	8,833,588	155,469
	<u>\$8,687,263</u>	<u>\$8,728,263</u>	<u>\$ (41,000)</u>	<u>\$8,989,057</u>	<u>\$8,833,588</u>	<u>\$ 155,469</u>
Totals						
Components of investment return						
Interest and dividend income		\$ 166,839			\$ 183,068	
Realized gain on sale of investments		329,208			192,217	
Unrealized (loss) from adjustment to market value		(196,460)			(226,820)	
Total investment return		<u>\$ 299,587</u>			<u>\$ 148,465</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. The fair value of certain investments held in money markets, equity securities, alternative investments, and real assets are based on quoted prices in active markets.

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

NOTE 3 FAIR VALUE MEASUREMENTS (continued)

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. The fair value of fixed income securities is based on quoted prices of similar assets in inactive markets.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The fair value of investments held at the Community Foundation of Greater Des Moines are based on significant unobservable inputs.

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, 2016 and 2015 are as follows:

<u>October 31, 2016</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money markets	\$5,540,552	\$5,540,552	\$ —	\$ —
Fixed income securities	305,642	—	305,642	—
Equity securities	1,653,846	1,653,846	—	—
Alternative investments	748,413	748,413	—	—
Real assets	<u>438,810</u>	<u>438,810</u>	<u>—</u>	<u>—</u>
Totals	<u>\$8,687,263</u>	<u>\$8,381,621</u>	<u>\$ 305,642</u>	<u>\$ —</u>
<u>October 31, 2015</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled funds	<u>\$8,989,057</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$8,989,057</u>

Transfers between Levels

For the years ended October 31, 2016 and 2015, there were no transfers between levels.

As of October 31, 2015, assets held by the CFGDM consisted of pooled funds. The Foundation held 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 were 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.

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

NOTE 3 FAIR VALUE MEASUREMENTS (continued)

The following table provides a summary of changes in fair value of the Foundation's Level 3 investments for the year ended October 31, 2016 and 2015.

	October 31	
	2016	2015
Beginning balance	\$8,989,057	\$8,887,478
Interest and dividends	157,848	183,053
Realized gains	190,458	192,217
Unrealized (losses)	(42,412)	(226,820)
Contributions	1,200	419,777
Sale of investments	(8,926,322)	-
Transfers to the Foundation	(325,500)	(402,477)
Investment expenses	<u>(44,329)</u>	<u>(64,171)</u>
Ending balance	<u>\$ -</u>	<u>\$8,989,057</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. The assets were invested in CFGDM's pooled endowment under an investment allocation determined by CFGDM's Investment Committee as of October 31, 2015. At October 31, 2015, 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 were 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, 2015, are reflected in board designated net assets.

The investment allocation at October 31, 2015 was as follows:

Domestic equity	31.2%
International equity	24.7
Fixed income	13.9
Cash composite	2.2
Hedge funds	16.8
Real assets	7.2
Private equity	<u>4.0</u>
Total	<u>100.0%</u>

During the year ended October 31, 2016, the assets were transferred to an investment portfolio managed by a separate investment management firm.

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

NOTE 5 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at October 31, 2016 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, 2016 are as follows:

Year ending October 31

2017	\$1,061,087
2018	228,750
2019	<u>218,750</u>
Total contributions and grants receivable	1,508,587
Less discount to present value	25,301
Less allowance for uncollectible contributions receivable	<u>35,000</u>
Net contributions and grants receivable	<u>\$1,448,286</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>October 31</u>	
	<u>2016</u>	<u>2015</u>
Building	\$12,907,669	\$11,924,632
Computer equipment	268,470	260,160
Construction in progress	1,023,876	732,805
Land improvements	2,612,360	2,502,494
Leasehold improvements	1,354,970	1,278,551
Vehicles	135,418	128,918
Zoo equipment	<u>248,425</u>	<u>161,423</u>
	18,551,188	16,988,983
Less accumulated depreciation	<u>2,499,835</u>	<u>1,783,246</u>
Property and equipment, net	<u>\$16,051,353</u>	<u>\$15,205,737</u>

The Foundation entered into contracts for the construction of various capital improvements totaling approximately \$2,100,000. Costs incurred on these contracts totaling approximately \$890,000 have been included in construction in progress and building and are reflected in the consolidated statement of financial position at October 31, 2016. Remaining commitments on these contracts as of October 31, 2016 total approximately \$1,210,000 and will be paid from current reserves.

NOTE 7 IMPAIRMENT OF VALUE OF LAND

The Foundation was the recipient of a donation of a parcel of land in a prior year. The land was originally recorded at the fair value of the property at the time of the donation. The parcel of land was subsequently appraised, and the value of the land was adjusted based on the appraisal in the year ended October 31, 2009. During the year ended October 31, 2015, the Foundation received an offer to purchase the land. The value of the land as of October 31, 2015 was adjusted based on this offer, which was determined to be estimated fair value. The effect of the adjustment was to decrease the value of land to \$1,000,000 as of October 31, 2015, and to recognize an adjustment in the value of land of \$610,000 in the consolidated statement of activities for the year ended October 31, 2015.

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

NOTE 8 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.

Accounts receivable from the City related to the above agreements was \$24,167 as of October 31, 2016 and 2015.

NOTE 9 UNRESTRICTED BOARD-DESIGNATED NET ASSETS

The Foundation's board has designated unrestricted net assets to fund the endowment and various other future projects of the Foundation. Unrestricted board-designated net assets as of October 31, 2016 and 2015 are as follows:

	October 31	
	2016	2015
Conservation	\$ 85,195	\$ 93,913
Equipment replacement	8,191	8,191
Infrastructure and maintenance	208,581	223,121
Endowment	<u>9,648,524</u>	<u>9,841,274</u>
	<u>\$9,950,491</u>	<u>\$10,166,499</u>

Included in the Board-designated endowment fund is a gift 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. Included in net assets transferred in the statements of activities, \$435,500 and \$440,000 of the endowment fund were transferred to undesignated net assets in 2016 and 2015, respectively.

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

NOTE 10 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	October 31	
	2016	2015
Expansion	\$1,580,032	\$ 730,047
County grant	2,515	2,515
Animal acquisition	-	6,611
Restricted grants	-	9,880
Education	17,799	21,919
Capital improvements	821	821
Wetlands project	1,596	1,596
Endow Iowa Fund	<u>23,736</u>	<u>23,471</u>
 Total	 <u>\$1,626,499</u>	 <u>\$ 796,860</u>

Temporarily restricted net assets are included in the following categories in the consolidated statement of financial position:

	October 31	
	2016	2015
Cash	\$ 139,477	\$ 251,623
Contributions and grants receivable	1,448,286	506,766
Investments	<u>38,736</u>	<u>38,471</u>
 Total	 <u>\$1,626,499</u>	 <u>\$ 796,860</u>

NOTE 11 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, 2016 and 2015 were \$19,910 and \$18,918, respectively.

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 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

Endowment net asset composition by type of fund as of October 31, 2016 and 2015 is as follows:

	2016			2015		
	Temporarily restricted	Unrestricted	Total net endowment assets	Temporarily restricted	Unrestricted	Total net endowment assets
Donor-restricted	\$ 38,736	\$ —	\$ 38,736	\$ 38,471	\$ —	\$ 38,471
Board designated	<u>—</u>	<u>9,648,524</u>	<u>9,648,524</u>	<u>—</u>	<u>9,841,274</u>	<u>9,841,274</u>
	<u>\$ 38,736</u>	<u>\$9,648,524</u>	<u>\$9,687,260</u>	<u>\$ 38,471</u>	<u>\$9,841,274</u>	<u>\$9,879,745</u>

The change in endowment net assets was as follows for the year ended October 31, 2016:

	Temporarily Restricted	Board- Designated	Total
Balance, beginning of year	\$ 38,471	\$9,841,274	\$9,879,745
Contributions	1,000	200	1,200
Interest and dividends	488	166,351	166,839
Realized gains on sale of investments	569	216,464	329,208
Unrealized (losses) on investments	(437)	(83,848)	(196,460)
Expenditures	<u>(1,355)</u>	<u>(491,917)</u>	<u>(493,272)</u>
Balance, end of year	<u>\$ 38,736</u>	<u>\$9,648,524</u>	<u>\$9,687,260</u>

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

NOTE 12 ENDOWMENT FUNDS (continued)

The change in endowment net assets was as follows for the year ended October 31, 2015:

	<u>Temporarily Restricted</u>	<u>Board- Designated</u>	<u>Total</u>
Balance, beginning of year	\$5,801,616	\$4,887,052	\$10,688,668
Contributions	-	358	358
Interest and dividends	501	197,612	198,113
Realized gains on sale of investments	527	191,690	192,217
Unrealized (losses) on investments	(617)	(226,203)	(226,820)
Impairment of value of land	-	(610,000)	(610,000)
Expenditures	(1,305)	(361,486)	(362,791)
Transfers	(5,762,251)	5,762,251	-
Balance, end of year	<u>\$ 38,471</u>	<u>\$9,841,274</u>	<u>\$ 9,879,745</u>

NOTE 13 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through January 6, 2017, 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, 2016 and 2015, and have issued our report thereon dated January 6, 2017, 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 6, 2017

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

	<u>Year ended October 31</u>	
	<u>2016</u>	<u>2015</u>
Special events	\$ 563,157	\$ 531,442
Development events	161,040	167,047
Educational programs	254,840	247,509
Volunteer income	4,350	3,499
Miscellaneous income	46,580	46,366
Rentals	115,611	99,848
Admissions	1,665,258	1,502,661
Train rides	233,044	230,554
Camel rides	43,681	42,067
Carousel rides	66,741	60,656
Kid's Kingdom	84,216	106,995
Vending	123,751	100,527
Stroller rental	5,906	5,615
Gift shop	775,552	660,176
Food		
Grill	56,321	72,755
Catering	14,841	14,612
Sponsorships	<u>309,150</u>	<u>220,400</u>
 Total Zoo revenues	 <u>\$4,524,039</u>	 <u>\$4,112,729</u>

Blank Park Zoo Foundation, Incorporated and Affiliate
SCHEDULE OF FUNCTIONAL EXPENSES

	Year ended October 31, 2016			Total
	Program services	Fundraising	Management and general	
Restricted projects	\$ 421,339	\$ —	\$ —	\$ 421,339
Annual giving	—	72,017	—	72,017
Membership	54,211	—	—	54,211
Night Eyes	76,819	—	—	76,819
Special events	155,077	—	—	155,077
Development events	—	60,967	—	60,967
Educational programs	39,690	—	—	39,690
Volunteer	10,260	—	—	10,260
Salaries	2,022,914	122,601	919,507	3,065,022
Payroll taxes and benefits	334,934	20,299	152,243	507,476
Visiting animals	68,235	—	—	68,235
Veterinary and laboratory	84,987	—	—	84,987
Protection and security	25,106	—	—	25,106
Postage and delivery	—	—	25,046	25,046
Utilities	210,920	—	—	210,920
Telephone and internet	—	—	70,443	70,443
Marketing	234,996	—	—	234,996
Photocopy and reproduction	—	—	13,750	13,750
Insurance	—	—	95,342	95,342
Repairs and maintenance	201,414	—	—	201,414
Equipment rental	—	—	—	—
Licenses and permits	9,820	—	—	9,820
Dues and subscriptions	—	—	30,568	30,568
Waste removal	10,618	—	—	10,618
Vehicle maintenance	28,589	—	—	28,589
Office supplies	18,209	—	—	18,209
Chemicals and gases	—	—	—	—
Fuel	16,014	—	—	16,014
Cleaning, janitorial and sanitary	66,018	—	—	66,018
Feed	163,062	—	—	163,062
Supplies	4,164	—	—	4,164
Maintenance supplies	30,274	—	—	30,274
Tools	5,594	—	—	5,594
Uniforms	16,180	—	—	16,180
Safety and protective equipment	2,869	—	—	2,869
Animal bedding	8,765	—	—	8,765
Merchandise for resale	338,184	—	—	338,184
Miscellaneous operating expenses	60,341	—	—	60,341
Meetings/promotion	3,246	—	—	3,246
Bank charges/fees	—	—	148,956	148,956
Payroll processing fees	—	—	38,484	38,484
Legal and accounting	—	—	31,060	31,060
Board expense	—	—	17,529	17,529
Conservation support	30,000	—	—	30,000
Travel and training	—	—	49,918	49,918
Mileage	—	—	5,490	5,490
Capital outlay	52,824	—	—	52,824
Depreciation	<u>716,589</u>	<u>—</u>	<u>—</u>	<u>716,589</u>
Totals	<u>\$5,522,262</u>	<u>\$ 275,884</u>	<u>\$1,598,336</u>	<u>\$7,396,482</u>

Year ended October 31, 2015

Program services	Fundraising	Management and general	Total
\$ 367,363	\$ -	\$ -	\$ 367,363
-	53,072	-	53,072
38,767	-	-	38,767
62,655	-	-	62,655
148,696	-	-	148,696
-	74,570	-	74,570
32,593	-	-	32,593
5,521	-	-	5,521
1,887,030	114,365	857,741	2,859,136
312,132	18,917	141,878	472,927
-	-	-	-
86,931	-	-	86,931
30,990	-	-	30,990
-	-	25,408	25,408
213,997	-	-	213,997
-	-	45,405	45,405
233,621	-	-	233,621
-	-	12,939	12,939
-	-	90,824	90,824
226,491	-	-	226,491
-	-	17	17
9,615	-	-	9,615
-	-	27,191	27,191
18,256	-	-	18,256
21,040	-	-	21,040
12,896	-	-	12,896
4,764	-	-	4,764
17,806	-	-	17,806
59,789	-	-	59,789
173,935	-	-	173,935
22,968	-	-	22,968
27,824	-	-	27,824
2,416	-	-	2,416
17,849	-	-	17,849
7,187	-	-	7,187
12,825	-	-	12,825
287,336	-	-	287,336
95,553	-	-	95,553
3,014	-	-	3,014
-	-	139,865	139,865
-	-	46,003	46,003
-	-	33,588	33,588
-	-	12,234	12,234
20,000	-	-	20,000
-	-	50,422	50,422
-	-	6,628	6,628
64,004	-	-	64,004
<u>666,791</u>	<u>-</u>	<u>-</u>	<u>666,791</u>
<u>\$5,192,655</u>	<u>\$ 260,924</u>	<u>\$1,490,143</u>	<u>\$6,943,722</u>