

# The Toledo Zoological Society

Years Ended  
December 31,  
2014 and 2013

Consolidated  
Financial  
Statements  
and  
Supplementary  
Information

# THE TOLEDO ZOOLOGICAL SOCIETY

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**INDEPENDENT AUDITORS' REPORT**

April 15, 2015

Board of Directors  
The Toledo Zoological Society  
Toledo, Ohio

We have audited the accompanying consolidated financial statements of **The Toledo Zoological Society** (the "Organization"), a nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Independent Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial position of **The Toledo Zoological Society** as of December 31, 2014 and 2013, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



# THE TOLEDO ZOOLOGICAL SOCIETY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31	
	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 3,311,611	\$ 4,871,496
Tax levy funds held by Lucas County	11,682	-
Contributions receivable	115,001	188,493
Accounts receivable	182,924	174,842
Inventory	382,319	366,937
Prepaid expenses and deposits	265,588	268,002
Investment securities	14,420,737	15,625,844
Perpetual trust agreements	494,992	495,719
Property and equipment		
Land and improvements	15,773,912	15,773,912
Buildings and structures	139,520,644	138,611,836
Equipment	10,596,793	10,381,111
Construction in progress	27,475,244	14,252,909
	193,366,593	179,019,768
Less accumulated depreciation	66,379,344	62,163,098
Net property and equipment	126,987,249	116,856,670
Bond origination costs, net of amortization	15,500	38,750
<b>Total assets</b>	<b>\$ 146,187,603</b>	<b>\$ 138,886,753</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,561,349	\$ 1,337,334
Accrued payroll, vacation pay and payroll taxes	948,650	827,893
Accrued interest	8,173	15,627
Deferred revenue	2,047,443	1,945,459
Fair value of interest rate swap agreements	33,725	126,238
Charitable gift annuity payable	6,959	10,860
Bank revolving note payable	3,300,000	-
Bonds payable	1,840,000	3,585,000
<b>Total liabilities</b>	<b>9,746,299</b>	<b>7,848,411</b>
<b>Net assets</b>		
Unrestricted	130,797,715	125,611,237
Temporarily restricted	4,687,413	4,470,202
Permanently restricted	956,176	956,903
<b>Total net assets</b>	<b>136,441,304</b>	<b>131,038,342</b>
<b>Total liabilities and net assets</b>	<b>\$ 146,187,603</b>	<b>\$ 138,886,753</b>

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

# THE TOLEDO ZOOLOGICAL SOCIETY

## CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31							
	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains and other support</b>								
Tax levies	\$ 12,478,793	\$ -	\$ -	\$ 12,478,793	\$ 12,429,922	\$ -	\$ -	\$ 12,429,922
Park operations	8,213,685	-	-	8,213,685	7,199,241	-	-	7,199,241
Admissions	4,959,350	-	-	4,959,350	3,956,362	-	-	3,956,362
Memberships	4,438,107	-	-	4,438,107	4,176,548	-	-	4,176,548
Special events and programs	976,230	-	-	976,230	841,819	-	-	841,819
Zoo pals	124,734	-	-	124,734	109,960	-	-	109,960
Net unrealized (losses) gains on investment securities	(539,060)	(222,970)	-	(762,030)	518,513	463,120	-	981,633
Investment income	1,153,519	522,728	-	1,676,247	920,134	180,404	-	1,100,538
Contributions and bequests	609,445	753,127	-	1,362,572	735,292	1,436,554	-	2,171,846
Grants and other revenue	90,589	278,215	-	368,804	52,747	154,750	-	207,497
Change in value of perpetual trust agreements	-	-	(727)	(727)	-	-	33,634	33,634
Net assets released from restriction	1,113,889	(1,113,889)	-	-	1,237,454	(1,237,454)	-	-
<b>Total revenues, gains and other support</b>	<b>33,619,281</b>	<b>217,211</b>	<b>(727)</b>	<b>33,835,765</b>	<b>32,177,992</b>	<b>997,374</b>	<b>33,634</b>	<b>33,209,000</b>
<b>Expenses</b>								
Animal care and exhibitions	22,396,106	-	-	22,396,106	20,352,213	-	-	20,352,213
Marketing	1,930,441	-	-	1,930,441	1,519,630	-	-	1,519,630
Education	1,018,525	-	-	1,018,525	988,233	-	-	988,233
Membership services	575,503	-	-	575,503	584,549	-	-	584,549
General and administrative	2,045,626	-	-	2,045,626	2,478,723	-	-	2,478,723
Fundraising	466,602	-	-	466,602	484,137	-	-	484,137
<b>Total expenses</b>	<b>28,432,803</b>	<b>-</b>	<b>-</b>	<b>28,432,803</b>	<b>26,407,485</b>	<b>-</b>	<b>-</b>	<b>26,407,485</b>
<b>Changes in net assets</b>	<b>5,186,478</b>	<b>217,211</b>	<b>(727)</b>	<b>5,402,962</b>	<b>5,770,507</b>	<b>997,374</b>	<b>33,634</b>	<b>6,801,515</b>
Net assets, beginning of year	125,611,237	4,470,202	956,903	131,038,342	119,840,730	3,472,828	923,269	124,236,827
<b>Net assets, end of year</b>	<b>\$ 130,797,715</b>	<b>\$ 4,687,413</b>	<b>\$ 956,176</b>	<b>\$ 136,441,304</b>	<b>\$ 125,611,237</b>	<b>\$ 4,470,202</b>	<b>\$ 956,903</b>	<b>\$ 131,038,342</b>

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

# THE TOLEDO ZOOLOGICAL SOCIETY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2014	2013
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 5,402,962	\$ 6,801,515
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Tax levies and contributions designated for capital improvements	(6,745,083)	(6,718,398)
Depreciation	4,248,031	4,229,411
Net unrealized losses (gains) on investment securities	762,030	(981,633)
Net realized gains on investment securities	(1,156,697)	(846,275)
Amortization of bond origination costs	23,250	23,250
Change in value of perpetual trust agreements	727	(33,634)
Change in fair value of interest rate swap agreements	(92,513)	(153,952)
Loss on disposal of property and equipment	11,607	3,199
Changes in operating assets and liabilities which provided (used) cash		
Tax levy funds held by Lucas County	(11,682)	8,474
Accounts receivable	(8,082)	84,781
Inventory	(15,382)	(36,747)
Prepaid expenses and deposits	2,414	(5,804)
Accounts payable	77,386	(725,180)
Accrued payroll, vacation pay and payroll taxes	120,757	217,284
Accrued interest	(7,454)	(6,998)
Deferred revenue	101,984	(81,484)
<b>Net cash provided by operating activities</b>	<b>2,714,255</b>	<b>1,777,809</b>
<b>Cash flows from investing activities</b>		
Purchases and construction of property and equipment	(14,244,088)	(10,261,080)
Purchases of investment securities	(10,450,378)	(10,060,318)
Sales of investment securities	12,050,152	13,986,132
Proceeds from disposal of property and equipment	500	-
<b>Net cash used in investing activities</b>	<b>(12,643,814)</b>	<b>(6,335,266)</b>
<b>Cash flows from financing activities</b>		
Bank revolving note payable borrowings, net	3,300,000	-
Proceeds from tax levies and contributions designated for capital improvements	6,818,575	6,682,189
Repayments of bonds payable	(1,745,000)	(1,645,000)
Contractual payments on charitable gift annuity payable	(3,901)	(5,361)
<b>Net cash provided by financing activities</b>	<b>8,369,674</b>	<b>5,031,828</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(1,559,885)</b>	<b>474,371</b>
Cash and cash equivalents, beginning of year	4,871,496	4,397,125
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,311,611</b>	<b>\$ 4,871,496</b>
<b>Supplemental disclosures of cash flows information</b>		
Noncash capital financing activity	\$ 146,629	\$ 482,783
Interest paid	\$ 143,944	\$ 233,449

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

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Business

The consolidated financial statements include the accounts of **The Toledo Zoological Society** (the "Society"), the **Toledo Zoological Society Foundation** (the "Foundation") and **TZ Solar, Inc.** ("TZ Solar") (collectively, the "Organization"). All significant inter-organization balances and transactions have been eliminated in these consolidated financial statements.

The Society is a tax-exempt charitable organization. The Society's mission and program, which is functionally reported, is inspiring others to join in caring for animals and conserving the natural world. The Society's support comes primarily from tax levies, park operations, admissions, memberships, contributions from donors and the Foundation and grants.

The Foundation is a nonprofit organization that was formed in 2001 to receive, hold, invest and administer donor-restricted contributions, gifts, and grants from the general public for the benefit of the Society. The Society is the sole member of the Foundation. As the sole member of the Foundation, it has been determined that the Society is able to exercise significant control over the Foundation.

TZ Solar, a wholly-owned subsidiary of the Society, was formed as a "C" Corporation in February 2010 for the construction and operation of a solar array on Society property. The project is funded by a mix of a State of Ohio grant, a federal ITC grant, and cash from the Society. TZ Solar is a "C" Corporation for tax purposes.

#### Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Organization reports information regarding its financial position and activities according to three classes of net assets.

**Unrestricted:** Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. As described in Note 14, the Foundation's Board of Trustees has designated a portion of the unrestricted net assets as endowment.

**Temporarily Restricted:** Temporarily restricted net assets contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization, and are reported as reclassifications between the applicable classes of net assets.

**Permanently Restricted:** Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

### Cash and Cash Equivalents

The Organization considers all investment instruments with maturities of three months or less from date of purchase to be cash equivalents.

The Organization maintains its checking and savings accounts at three commercial banks. Balances on deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to specified limits; however, balances in excess of FDIC limits are uninsured. Management does not believe the Organization is exposed to any significant interest rate or other financial risk as a result of these deposits.

### Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurements, refer to Note 12 to these consolidated financial statements.

### Investment Securities

Investment securities are carried at fair value. Fair value is determined based upon quoted market values, if available, or if not available, estimated amounts are provided by the bank trustee. Investment securities acquired by gift or bequest are recorded at fair value on the date of gift and such amount is considered the cost of the security. Any realized gain or loss on the sale of a security is determined using the cost basis of the security sold. Income from investments, including realized and unrealized gains and losses, is allocated among unrestricted and temporarily restricted net assets based on donor restrictions or the absence thereof.



# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the Foundation's risk adjusted rate. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met. Such promises amounted to approximately \$915,000 and \$833,000 at December 31, 2014 and 2013, respectively.

### Inventory

Inventory is stated at the lower of cost or market with cost determined on the first-in, first-out ("FIFO") basis.

### Bond Origination Costs

Costs incurred relating to the issuance of long-term bond financing are deferred and amortized on a straight-line method over the term of the related bonds.

### Property and Equipment

The Organization capitalizes major additions to property and equipment at cost or fair value if acquired by gift. Depreciation of property and equipment is provided using the straight-line method based on the estimated useful lives of the individual assets which range from ten to fifty years for land improvements and buildings and structures, and five to twenty years for equipment.

Upon retirement, disposal or abandonment of property and equipment, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reported in the consolidated statements of activities.

### Accounting for Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment charges were recognized on long-lived assets during 2014 and 2013.

### Perpetual Trust Agreements

The Society's interest in the future income stream of perpetual trust agreements is reported as an asset based on a percentage, representing the Society's beneficial interest in the annual income distribution, of the fair value of the assets of each trust.

### Membership Fees

The portion of membership fees considered to be an exchange transaction is deferred and reported as revenue when earned.

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Revenue Recognition

The Organization records appropriations (tax levies from Lucas County), grants and earned revenues on an accrual basis. In addition, the Organization records as revenue the following types of contributions when they are received unconditionally, at their fair value: cash, promises to give, certain donated services and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Substantially all of the Society's grants and appropriations are considered to be exchange transactions for purposes of applying revenue recognition policies.

### Animal Collection

Purchases of animals are charged to expense and no value of the animal collection is reported in the consolidated statements of financial position. Additions to these collections acquired other than by purchases, are not assigned a value and are not accounted for in the accounts of the Society.

### Interest Rate Swap Agreements

The Society's interest rate swap agreements are considered cash flow hedges and the fair value of the agreements is reflected in these consolidated financial statements. The Organization's objective for entering into the interest rate swap agreements is to mitigate the risk of interest rate changes.

### Advertising Costs

The cost of advertising and public relations are expensed as incurred. The Organization incurred \$1,070,637 and \$627,426 in advertising and public relations expense during 2014 and 2013, respectively.

### Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"), except on net income derived from unrelated business activities from the operation of its gift shop, catering and rental of party space, and the Foundation is exempt under Section 501(a) of the IRC. The Society and the Foundation are also exempt from state and local taxes under the laws of the State of Ohio for nonprofit organizations. Accordingly, no provision for federal, state or local income taxes has been recorded in these consolidated financial statements for these entities.

TZ Solar is a "C" Corporation subject to federal, state and local taxation. No provision for federal or state income taxes was required in 2014 or 2013.

The Society, the Foundation and TZ Solar have evaluated uncertain income tax positions and believe there are no such positions of significance at December 31, 2014, that are required to be recorded or disclosed in these consolidated financial statements. The Society and the Foundation's federal Exempt Organization Business Income Tax Returns (Form 990T) for all open tax years (2011 through 2014) and TZ Solar's tax returns for all open tax years (2011 through 2014) remain subject to examination by the Internal Revenue Service, generally for three years after they were filed.

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2014, the most recent consolidated statement of financial position presented herein, through April 15, 2015, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified.

## 2. INVESTMENT SECURITIES

Investment securities at fair value consisted of the following at December 31:

	2014	2013
Mutual funds		
Equity		
Small cap	\$ 446,268	\$ 763,746
Mid cap	456,520	817,170
Large cap	6,778,350	5,843,699
International	1,611,661	1,484,138
Fixed income	4,448,753	4,287,041
Real estate	679,185	615,050
Corporate bonds		
A-	-	175,000
Not rated	-	180,000
Municipal bonds		
A-2	-	610,000
Not rated	-	850,000
<b>Total investment securities</b>	<b><u>\$ 14,420,737</u></b>	<b><u>\$ 15,625,844</u></b>

Gross unrealized gains and losses of investment securities are as follows at December 31:

	2014	2013
Gross unrealized gains	\$ 2,212,854	\$ 2,869,374
Gross unrealized losses	<u>(108,234)</u>	<u>(62,586)</u>
	<b><u>\$ 2,104,620</u></b>	<b><u>\$ 2,806,788</u></b>

The gross unrealized losses are considered to be temporary.

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net unrealized (losses) gains of investment securities amounted to \$(762,030) in 2014 and \$981,633 in 2013 and are included in the consolidated statements of activities.

Investment income, including income from cash equivalents, is as follows for the years ended December 31:

	2014	2013
Interest and dividends	\$ 556,748	\$ 292,021
Net realized gains	1,156,697	846,275
Investment fees	<u>(37,198)</u>	<u>(37,758)</u>
	<u>\$ 1,676,247</u>	<u>\$ 1,100,538</u>

### 3. CONTRIBUTIONS RECEIVABLE

During 2008, the Organization began an \$8,000,000 capital campaign to obtain funds for the Master Plan of which \$8,367,658 has been pledged and \$8,247,658 has been collected as of December 31, 2014. Campaign contributions of \$753,127 and \$1,436,554 were reported for the years ended December 31, 2014 and 2013, respectively, and are presented as temporarily restricted contributions in the consolidated statements of activities. Contributions receivable greater than one year are recognized at present value using a discount rate of 6%.

Contributions receivable, representing unconditional promises to give, are as follows at December 31:

	2014	2013
Gross amount due in		
Less than one year	\$ 60,000	\$ 80,000
One to four years	<u>60,000</u>	<u>120,001</u>
	120,000	200,001
Less amount representing interest	<u>4,999</u>	<u>11,508</u>
Present value of promises to give	<u>\$ 115,001</u>	<u>\$ 188,493</u>

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 4. INVENTORY

Inventory purchased for resale consisted of the following at December 31:

	2014	2013
Gifts and souvenirs	\$ 259,096	\$ 242,528
Concessions	<u>123,223</u>	<u>124,409</u>
<b>Total</b>	<b><u>\$ 382,319</u></b>	<b><u>\$ 366,937</u></b>

### 5. BANK REVOLVING NOTE PAYABLE

The Society has available an unsecured \$12,000,000 bank revolving note due June 4, 2016 to be used for capital improvements and operating purposes. Interest at LIBOR plus 1.05% (effective rate of 1.3% at December 31, 2014) is payable monthly. Outstanding borrowings under the revolving note were \$3,300,000 at December 31, 2014. There were no borrowings under the revolving note at December 31, 2013. The interest rate on the unused commitment is 0.125%.

### 6. BONDS PAYABLE

On January 1, 2010, the Society issued \$9,565,000 in County of Lucas, Ohio Multi-Mode Variable Rate Demand Facilities Refunding Revenue Bonds, Series 2010 to refund the County of Lucas, Ohio Multi-Mode Variable Rate Demand Facilities Improvement Bonds, amended Series 2002. The proceeds from the Series 2002 Bonds were loaned by Lucas County to the Society to meet the needs of the Society's ten-year master plan which involve extensive expansion of the existing facilities. The cost of the plan is being financed through a capital improvements tax levy (as described in Note 9), contributions from the general public and general operations.

The Series 2010 Bonds were issued pursuant to a loan agreement between the County of Lucas and the Society and are subject to a trust indenture between County of Lucas, the issuer, and Bank of New York Mellon Trust Company, trustee. The Bonds mature October 1, 2021, with interest payable monthly, under one of the following options: a weekly rate, a semi-annual rate, a long-term rate for a period of one year or more, or Adjusted LIBOR. Currently, the Society pays interest at the Adjusted LIBOR which was 1.70% at December 31, 2014 and December 31, 2013. The Society may change the interest rate option from time to time in accordance with the terms of the indenture.

The bonds are subject to certain customary financial covenants, as described in the loan agreement. Management has determined that the Society was in compliance with all covenants for the year ended December 31, 2014.

On June 9, 2005, the Society and KeyBank National Association entered into an interest rate swap agreement for the amended Series 2002 Bonds. The swap agreement has been amended in connection with Series 2010 Bonds, effective January 1, 2010, and establishes a fixed interest rate of 3.86% to the Society for a portion of the Bonds. The initial balance

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

subject to the rate swap agreement was \$6,500,000 (\$920,000 and \$1,792,000 at December 31, 2014 and 2013, respectively), which decreases bi-annually beginning April 1, 2007 to a balance of \$460,000 on April 1, 2015. Rate swap interest incurred under this agreement amounted to approximately \$52,000 and \$85,000 of expense in 2014 and 2013, respectively, and is included in total interest cost incurred, as described below.

On June 24, 2005, the Society and Fifth Third Bank entered into a similar interest rate swap agreement for the amended Series 2002 Bonds. The swap agreement has been amended in connection with Series 2010 Bonds, effective January 1, 2010, and establishes a fixed interest rate of 3.08% to the Society for a portion of the Bonds. The initial balance subject to the rate swap agreement was \$6,500,000 (\$920,000 and \$1,792,500 at December 31, 2014 and 2013, respectively), which decreases bi-annually beginning April 2, 2007, to a balance of \$460,000 on April 1, 2015. The swap agreement has been maintained in connection with Series 2010 Bonds. Rate swap interest incurred under this agreement amounted to approximately \$42,000 and \$68,000 of expense in 2014 and 2013, respectively, both of which are included with total interest cost incurred, as described below.

In connection with accounting for the interest rate swap agreements, a decrease of \$92,513 in 2014 and \$153,952 in 2013 of the liability for the fair value of the interest rate swap agreements was recorded and is reported as a change in value of interest rate swaps in general and administrative expenses.

The outstanding balance of bonds payable amounting to \$1,840,000 is payable in 2015.

Interest expense amounted to \$159,740 in 2014 and \$259,909 in 2013.

### 7. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	2014	2013
Care of animals	\$ 996,981	\$ 928,051
Capital projects	3,445,149	3,315,641
Works progress administration		
buildings maintenance	176,973	165,761
Charitable gift annuities, time restriction	25,180	25,418
Research and collaboration	43,130	35,331
<b>Total</b>	<b><u>\$ 4,687,413</u></b>	<b><u>\$ 4,470,202</u></b>

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The net assets released from restriction in 2014 and 2013 amounted to \$1,113,889 and \$1,237,454, respectively. Such amounts related primarily to the satisfaction of property and equipment acquisitions.

Permanently restricted net assets consisted of the following at December 31:

	2014	2013
Perpetual trust agreements	\$ 494,992	\$ 495,719
General endowment	300,000	300,000
Care of animals endowment	81,184	81,184
Research and collaboration endowment	<u>80,000</u>	<u>80,000</u>
<b>Total</b>	<b><u>\$ 956,176</u></b>	<b><u>\$ 956,903</u></b>

### 8. RETIREMENT PLANS

The Society maintains two defined contribution plans covering both salaried and bargaining unit employees. The plans provide for both a basic contribution for all employees as well as matching contributions, up to limits defined in the plans. Retirement expense relating to these plans was \$406,781 in 2014 and \$383,984 in 2013 and is reported in general and administrative expenses.

### 9. LEVY SUPPORT

The Society is the recipient of two Lucas County real estate tax levies. One levy, under contractual arrangements with the Board of Lucas County Commissioners, is specifically designated for capital improvements and was passed in November 2006 for ten years. The second levy, for current operations, was passed as a replacement levy in November 2011 for five years. The capital improvements levy generated revenue of \$6,745,083 in 2014 and \$6,718,398 in 2013. The operating levy generated revenue of \$5,733,710 in 2014 and \$5,711,524 in 2013. Approximately 37% in both 2014 and 2013 of the Society's consolidated revenues, gains and other support was obtained through Lucas County capital and operating real estate tax levies.

### 10. DONATED SERVICES

The recorded contributed value of donated services provided by doctors and paramedics to the Society's animals approximated \$40,000 in 2014 and \$14,000 in 2013. Additionally, approximately 63,500 hours in 2014 and 62,000 hours in 2013 were volunteered by non-specialized individuals for which no value has been assigned.

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments other than investment securities, perpetual trust agreements and interest rate swap agreements, consist primarily of cash and cash equivalents, receivables, accounts payable, accrued interest, gift annuities, and bonds payable. There are no significant differences between the carrying value and fair value of any of these financial instruments.

### 12. FAIR VALUE MEASUREMENTS

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Corporate bonds, mutual funds, and the interest rate swap agreements are recorded at fair value on a recurring basis. Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis, such as non-marketable equity securities and other long lived assets. These nonrecurring fair value adjustments typically involve the application of estimated fair value accounting of write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets and liabilities are classified.

The Organization classifies its investments in mutual funds as Level 1 in the fair value hierarchy since the values are based on their quoted prices in active markets.

The Organization classifies its corporate and municipal bonds and fair value of the interest rate swap agreements as Level 2 in the fair value hierarchy. Corporate and municipal bond values are based on quoted prices in inactive markets. If quoted market prices are not available then fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The fair value of the interest rate swap agreements is estimated by a third party using a model that builds a yield curve from market data for actively traded securities at various times and maturities and takes into account current interest rates and the current credit worthiness of the respective counterparties.

The Organization classifies the perpetual trust agreements as Level 3 in the fair value hierarchy. The underlying trust assets cannot be liquidated or redeemed by the Organization. As such, no quoted prices or active market are available for this asset. As a practical expedient, the carrying value of the asset is deemed equal to the fair value of the total investments held in the trusts.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets and liabilities measured at fair value on a recurring basis at December 31:

2014	Assets and Liabilities at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds				
Equity				
Small cap	\$ 446,268	\$ -	\$ -	\$ 446,268
Mid cap	456,520	-	-	456,520
Large cap	6,778,350	-	-	6,778,350
International	1,611,661	-	-	1,611,661
Fixed income	4,448,753	-	-	4,448,753
Real estate	679,185	-	-	679,185
Perpetual trusts	-	-	494,992	494,992
<b>Total assets at fair value</b>	<b><u>\$ 14,420,737</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 494,992</u></b>	<b><u>\$ 14,915,729</u></b>
Liabilities:				
Interest rate swap agreements	<u>\$ -</u>	<u>\$ 33,725</u>	<u>\$ -</u>	<u>\$ 33,725</u>

2013	Assets and Liabilities at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds				
Equity				
Small cap	\$ 763,746	\$ -	\$ -	\$ 763,746
Mid cap	817,170	-	-	817,170
Large cap	5,843,699	-	-	5,843,699
International	1,484,138	-	-	1,484,138
Fixed income	4,287,041	-	-	4,287,041
Real estate	615,050	-	-	615,050
Corporate bonds				
A-	-	175,000	-	175,000
Not rated	-	180,000	-	180,000
Municipal bonds				
A-2	-	610,000	-	610,000
Not rated	-	850,000	-	850,000
Perpetual trusts	-	-	495,719	495,719
<b>Total assets at fair value</b>	<b><u>\$ 13,810,844</u></b>	<b><u>\$ 1,815,000</u></b>	<b><u>\$ 495,719</u></b>	<b><u>\$ 16,121,563</u></b>
Liabilities:				
Interest rate swap agreements	<u>\$ -</u>	<u>\$ 126,238</u>	<u>\$ -</u>	<u>\$ 126,238</u>

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The table below sets forth a summary of changes in the fair value of the Society's Level 3 assets, consisting of the perpetual trust agreements, for the years ended December 31:

	2014	2013
Balance, January 1	\$ 495,719	\$ 462,085
Unrealized gains (losses) relating to instruments held at the reporting date	(24,903)	9,706
Income	<u>24,176</u>	<u>23,928</u>
Balance, December 31	<u>\$ 494,992</u>	<u>\$ 495,719</u>

### 13. PROPERTY AND EQUIPMENT COMMITMENT

Construction in progress at December 31, 2014, relates to costs incurred with respect to various projects approved by the Board of Directors of the Society. Such projects primarily relate to the aquarium renovations from the Master Plan and various other exhibit improvements. Such projects are estimated to cost an additional \$6,000,000 and will be completed during the following two years. Funding for these projects will be from a capital campaign, capital improvements tax levy, bank revolving note and general operations.

### 14. ENDOWMENTS

The Organization's endowments consist of 5 funds established for the benefit of the Society. Its endowments consist of both donor-restricted endowment funds and funds designated by the Boards of Directors ("Boards") to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Boards to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Boards of the Organization have interpreted the State of Ohio's Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment.
- The original value of subsequent gifts to the permanent endowment.

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

### Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets that attempts to manage fund assets according to prudent standards as established in common trust law. Investment of the funds will be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The intent is for investments to be broadly diversified so as to participate in market growth. It is not the intent to dramatically allocate among asset classes in an attempt to "time" the markets.

### Distribution Policy

The Foundation has adopted a Statement of Distribution Policy ("Distribution Policy") to provide financial support to the Society as may be determined from time to time by the Board of Trustees of the Foundation. The Distribution Policy is also designed to provide endowment protection and future growth to ensure the perpetuity of the funding of the Foundation.

It is the policy of the Foundation to make a distribution up to 5% of the previous three-year moving average market value of the Foundation, or a particular endowment, using the fund balances as of June 30 of each year.

### Strategies Employed for Achieving Objectives

In order to meet its needs, the investment strategy of the Organization is to emphasize total return; that is the aggregate return from realized and unrealized capital gains and losses and dividends and interest income.

### Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 102,432	\$ 461,184	\$ 563,616
Board-designated	<u>11,241,127</u>	<u>-</u>	<u>-</u>	<u>11,241,127</u>
Total funds	<u>\$ 11,241,127</u>	<u>\$ 102,432</u>	<u>\$ 461,184</u>	<u>\$ 11,804,743</u>

# THE TOLEDO ZOOLOGICAL SOCIETY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Changes in Endowment Assets for the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 10,644,217	\$ 85,672	\$ 461,184	\$ 11,191,073
Investment return:				
Investment income	1,189,040	30,499	-	1,219,539
Net depreciation	<u>(538,868)</u>	<u>(13,015)</u>	<u>-</u>	<u>(551,883)</u>
Total investment return	650,172	17,484	-	667,656
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>(53,262)</u>	<u>(724)</u>	<u>-</u>	<u>(48,530)</u>
Endowment net assets, end of year	<u>\$ 11,241,127</u>	<u>\$ 102,432</u>	<u>\$ 461,184</u>	<u>\$ 11,804,743</u>

### Endowment Net Asset Composition by Type of Fund as of December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 85,672	\$ 461,184	\$ 546,856
Board-designated	<u>10,644,217</u>	<u>-</u>	<u>-</u>	<u>10,644,217</u>
Total funds	<u>\$ 10,644,217</u>	<u>\$ 85,672</u>	<u>\$ 461,184</u>	<u>\$ 11,191,073</u>

# THE TOLEDO ZOOLOGICAL SOCIETY

## ■ NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Changes in Endowment Assets for the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 9,548,558	\$ 47,062	\$ 461,184	\$ 10,056,804
Investment return:				
Investment income	944,856	10,979	-	955,835
Net appreciation	<u>518,888</u>	<u>28,306</u>	<u>-</u>	<u>547,194</u>
Total investment return	1,463,744	39,285	-	1,503,029
Contributions	514,793	-	-	514,793
Appropriation of endowment assets for expenditure	<u>(882,878)</u>	<u>(675)</u>	<u>-</u>	<u>(883,553)</u>
Endowment net assets, end of year	<u>\$ 10,644,217</u>	<u>\$ 85,672</u>	<u>\$ 461,184</u>	<u>\$ 11,191,073</u>

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**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

April 15, 2015

Board of Directors  
The Toledo Zoological Society  
Toledo, Ohio

We have audited the consolidated financial statements of **The Toledo Zoological Society** as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated April 15, 2015, which expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



## SUPPLEMENTARY INFORMATION

# THE TOLEDO ZOOLOGICAL SOCIETY

## ■ CONSOLIDATED SCHEDULES OF PARK OPERATIONS

	Year Ended December 31	
	2014	2013
<b>Park operations revenue</b>		
Concession stands	\$ 2,891,929	\$ 2,539,351
Picnics and catered events	1,249,629	1,130,073
Gift and souvenir sales, including stroller revenue	2,333,368	2,014,554
Parking lot revenue	737,151	632,673
Ride revenue	805,753	739,600
Facility rental	170,034	122,236
Tours	25,821	20,754
<b>Total park operations revenue</b>	<b>8,213,685</b>	<b>7,199,241</b>
Cost of food, beverages and merchandise	2,277,331	1,928,208
<b>Park operations gross profit</b>	<b>\$ 5,936,354</b>	<b>\$ 5,271,033</b>

See independent auditors' report on supplementary information.



# THE TOLEDO ZOOLOGICAL SOCIETY

## CONSOLIDATED SCHEDULES OF EXPENSES

	Year Ended December 31	
	2014	2013
Salaries and wages		
Full-time	\$ 8,596,384	\$ 7,893,568
Seasonal	3,179,270	3,234,184
Fringe benefits	2,303,833	2,384,411
Depreciation	4,248,031	4,229,411
Cost of food, beverages and merchandise	2,277,331	1,928,208
Utilities		
Electric	837,787	693,633
Gas	345,110	230,583
Water	529,885	465,557
Telephone	31,681	33,769
Interest and related fees	159,740	259,909
Change in fair value of interest rate swaps	(92,513)	(153,952)
Professional, marketing and other services	124,362	164,807
Contracted services	571,155	507,057
Exhibit food and nutrients	451,256	457,656
Advertising and public relations	1,070,637	627,426
Repairs and maintenance	588,246	610,443
Operating supplies	915,677	859,210
Insurance, licenses and taxes	359,361	368,627
Processing fees	488,189	435,672
Printing	163,863	152,290
Postage	160,949	148,903
Grants	195,222	111,427
Small equipment	385,767	291,165
Special events and promotions	201,879	230,441
Continuing education	4,867	4,373
Exhibit display and repair	27,850	14,961
Travel and entertainment	81,021	70,835
Live animal purchases	173,107	108,610
Dues	43,745	42,856
Loss on disposal of property and equipment	11,607	3,199
Other	(2,496)	(1,754)
<b>Total expenses</b>	<b>\$ 28,432,803</b>	<b>\$ 26,407,485</b>

See independent auditors' report on supplementary information.

# THE TOLEDO ZOOLOGICAL SOCIETY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2014

	Toledo Zoological Society	Toledo Zoological Society Foundation	TZ Solar, Inc.	Eliminations	Total
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 2,441,845	\$ 864,561	\$ 5,205	\$ -	\$ 3,311,611
Tax levy funds held by Lucas County	11,682	-	-	-	11,682
Intercompany receivable	786,388	10,436	-	(796,824)	-
Contributions receivable	-	115,001	-	-	115,001
Accounts receivable	179,688	-	3,236	-	182,924
Inventory	382,319	-	-	-	382,319
Prepaid expenses and deposits	258,367	7,221	-	-	265,588
Investment securities	1,674,877	12,745,860	-	-	14,420,737
Perpetual trust agreements	494,992	-	-	-	494,992
Property and equipment					
Land and improvements	15,773,912	-	-	-	15,773,912
Buildings and structures	139,520,644	-	-	-	139,520,644
Equipment	9,173,799	-	1,422,994	-	10,596,793
Construction in progress	27,475,244	-	-	-	27,475,244
	191,943,599	-	1,422,994	-	193,366,593
Less accumulated depreciation	66,144,550	-	234,794	-	66,379,344
Net property and equipment	125,799,049	-	1,188,200	-	126,987,249
Bond origination costs, net of amortization	15,500	-	-	-	15,500
<b>Total assets</b>	<b>\$ 132,044,707</b>	<b>\$13,743,079</b>	<b>\$ 1,196,641</b>	<b>\$ (796,824)</b>	<b>\$ 146,187,603</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,561,349	\$ -	\$ -	\$ -	\$ 1,561,349
Intercompany payable	10,436	167,413	618,975	(796,824)	-
Accrued payroll, vacation pay and payroll taxes	948,650	-	-	-	948,650
Accrued interest	8,173	-	-	-	8,173
Deferred revenue	2,047,443	-	-	-	2,047,443
Fair value of interest rate swap agreements	33,725	-	-	-	33,725
Charitable gift annuity payable	-	6,959	-	-	6,959
Bank revolving note payable	3,300,000	-	-	-	3,300,000
Bonds payable	1,840,000	-	-	-	1,840,000
<b>Total liabilities</b>	<b>9,749,776</b>	<b>174,372</b>	<b>618,975</b>	<b>(796,824)</b>	<b>9,746,299</b>
<b>Net assets</b>					
Unrestricted	121,302,094	8,837,955	577,666	80,000	130,797,715
Temporarily restricted	497,845	4,269,568	-	(80,000)	4,687,413
Permanently restricted	494,992	461,184	-	-	956,176
<b>Total net assets</b>	<b>122,294,931</b>	<b>13,568,707</b>	<b>577,666</b>	<b>-</b>	<b>136,441,304</b>
<b>Total liabilities and net assets</b>	<b>\$ 132,044,707</b>	<b>\$13,743,079</b>	<b>\$ 1,196,641</b>	<b>\$ (796,824)</b>	<b>\$ 146,187,603</b>

See independent auditors' report on supplementary information.

# THE TOLEDO ZOOLOGICAL SOCIETY

## CONSOLIDATING STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014

	Toledo Zoological Society	Toledo Zoological Society Foundation	TZ Solar, Inc.	Eliminations	Total
<b>Unrestricted net assets</b>					
Revenues, gains and other support					
Tax levies	\$ 12,478,793	\$ -	\$ -	\$ -	\$ 12,478,793
Park operations	8,213,685	-	-	-	8,213,685
Admissions	4,959,350	-	-	-	4,959,350
Memberships	4,438,107	-	-	-	4,438,107
Special events and programs	976,230	-	-	-	976,230
Zoo pals	124,734	-	-	-	124,734
Net unrealized losses on investment securities	(83,805)	(455,255)	-	-	(539,060)
Realized gains on investment securities	108,003	700,155	-	-	808,158
Investment income	42,522	302,839	-	-	345,361
Contributions and bequests	558,530	50,915	-	-	609,445
Grants and other revenue	1,342,403	-	33,555	(1,285,369)	90,589
Net assets released from restriction	487,012	626,877	-	-	1,113,889
<b>Total revenues, gains and other support</b>	<b>33,645,564</b>	<b>1,225,531</b>	<b>33,555</b>	<b>(1,285,369)</b>	<b>33,619,281</b>
<b>Expenses</b>					
Animal care and exhibitions	22,645,971	-	57,720	(307,585)	22,396,106
Marketing	1,930,441	-	-	-	1,930,441
Education	1,018,525	-	-	-	1,018,525
Membership services	575,503	-	-	-	575,503
General and administrative	2,029,781	993,629	-	(977,784)	2,045,626
Fundraising	466,602	-	-	-	466,602
<b>Total expenses</b>	<b>28,666,823</b>	<b>993,629</b>	<b>57,720</b>	<b>(1,285,369)</b>	<b>28,432,803</b>
<b>Changes in unrestricted net assets</b>	<b>4,978,741</b>	<b>231,902</b>	<b>(24,165)</b>	<b>-</b>	<b>5,186,478</b>
<b>Temporarily restricted net assets</b>					
Net unrealized losses on investments securities	-	(222,970)	-	-	(222,970)
Realized gains on investment securities	-	348,539	-	-	348,539
Investment income	-	174,189	-	-	174,189
Contributions and bequests	214,649	538,478	-	-	753,127
Grants and other revenue	278,215	-	-	-	278,215
Net assets released from restriction	(487,012)	(626,877)	-	-	(1,113,889)
<b>Changes in temporarily restricted net assets</b>	<b>5,852</b>	<b>211,359</b>	<b>-</b>	<b>-</b>	<b>217,211</b>
<b>Permanently restricted net assets</b>					
Change in value of perpetual trust agreements	(727)	-	-	-	(727)
<b>Changes in net assets</b>	<b>4,983,866</b>	<b>443,261</b>	<b>(24,165)</b>	<b>-</b>	<b>5,402,962</b>
Net assets, beginning of year	117,311,065	13,125,446	601,831	-	131,038,342
<b>Net assets, end of year</b>	<b>\$122,294,931</b>	<b>\$ 13,568,707</b>	<b>\$ 577,666</b>	<b>\$ -</b>	<b>\$136,441,304</b>

See independent auditors' report on supplementary information.