

CHEYENNE MOUNTAIN ZOOLOGICAL SOCIETY
AND
CHEYENNE MOUNTAIN ZOO ENDOWMENT FUND

Consolidated Financial Statements

For the Years Ended April 30, 2010 and 2009,

Supplemental Consolidating Schedule

And

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cheyenne Mountain Zoological Society
Colorado Springs, Colorado

We have audited the accompanying consolidated statements of financial position of Cheyenne Mountain Zoological Society and Cheyenne Mountain Zoo Endowment Fund (collectively, the Organization) as of April 30, 2010 and 2009 and the related consolidated statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cheyenne Mountain Zoological Society and Cheyenne Mountain Zoo Endowment Fund as of April 30, 2010 and 2009 and their activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, management has elected to change its accounting policy for recognizing membership revenue.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating schedule of activities for the year ended April 30, 2010 is presented for the purpose of additional analysis, and is not a required part of the basic consolidated financial statements. This supplemental information is the responsibility of the Organization's management. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.


August 24, 2010

**CHEYENNE MOUNTAIN ZOOLOGICAL SOCIETY AND
CHEYENNE MOUNTAIN ZOO ENDOWMENT FUND**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2010 AND 2009**

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 2,404,413	\$ 2,784,513
Cash restricted for capital expansion and other purposes	1,170,901	447,539
Other current assets	158,324	163,236
Promises to give, net	4,915,146	1,887,748
Contribution receivable from charitable remainder trust	153,124	100,114
Investments, at market value	932,344	721,459
Property and equipment, net	24,970,076	24,749,463
Beneficial interest in perpetual trust	133,284	120,556
Animal collection	<u> </u>	<u> </u>
TOTAL	<u>\$ 34,837,612</u>	<u>\$ 30,974,628</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 502,217	\$ 194,211
Accrued expenses and other liabilities	412,483	358,383
Deferred membership revenue	525,859	494,763
Notes payable	<u>2,699,519</u>	<u>4,364,651</u>
Total	<u>4,140,078</u>	<u>5,412,008</u>
 NET ASSETS		
Unrestricted:		
Equity in property and equipment	22,270,557	20,384,812
Operating	964,422	1,618,854
Funds held for debt reduction	324,680	1,748,814
Endowment	<u>288,069</u>	<u>136,177</u>
Total unrestricted	23,847,728	23,888,657
Temporarily restricted	6,239,155	1,117,868
Permanently restricted	<u>610,651</u>	<u>556,095</u>
Total net assets	<u>30,697,534</u>	<u>25,562,620</u>
TOTAL	<u>\$ 34,837,612</u>	<u>\$ 30,974,628</u>

See notes to consolidated financial statements.

CHEYENNE MOUNTAIN ZOOLOGICAL SOCIETY AND CHEYENNE MOUNTAIN ZOO ENDOWMENT FUND

CONSOLIDATED STATEMENTS OF ACTIVITY FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Contributions	\$ 1,506,258	\$ 6,313,308	\$ 34,750	\$ 7,854,316	\$ 1,495,698	\$ 675,521	\$ 78,000	\$ 2,249,219
Admissions	2,846,759			2,846,759	2,817,984			2,817,984
Membership	1,283,068			1,283,068	1,225,797			1,225,797
Auxiliary activities:								
Visitor services	1,024,121			1,024,121	1,080,768			1,080,768
Food and merchandise	553,411			553,411	528,201			528,201
Other auxiliary activities	462,838			462,838	350,231			350,231
Other	268,787	53,010	19,806	341,603	(39,981)	(17,612)	(37,370)	(94,963)
Net assets released from restrictions:								
For operations	279,999	(279,999)			246,048	(246,048)		
For capital assets	965,032	(965,032)			580,722	(580,722)		
Total	9,190,273	5,121,287	54,556	14,366,116	8,285,468	(168,861)	40,630	8,157,237
EXPENSES								
Program services:								
Animal management	6,242,147			6,242,147	5,744,622			5,744,622
Education	935,522			935,522	1,163,126			1,163,126
Supporting activities:								
Development and fundraising	760,547			760,547	543,138			543,138
General and administrative	673,075			673,075	579,400			579,400
Advertising and marketing	619,911			619,911	586,902			586,902
Total	9,231,202	—	—	9,231,202	8,617,188	—	—	8,617,188
CHANGE IN NET ASSETS	(40,929)	5,121,287	54,556	5,134,914	(331,720)	(168,861)	40,630	(459,951)
NET ASSETS, Beginning of year, as previously reported	23,888,657	1,117,868	556,095	25,562,620	24,646,070	1,286,729	515,465	26,448,264
PRIOR PERIOD ADJUSTMENT, Change in accounting principle for recognition of membership revenue					(425,693)			(425,693)
NET ASSETS, Beginning of year	<u>23,888,657</u>	<u>1,117,868</u>	<u>556,095</u>	<u>25,562,620</u>	<u>24,220,377</u>	<u>1,286,729</u>	<u>515,465</u>	<u>26,022,571</u>
NET ASSETS, End of year	<u>\$ 23,847,728</u>	<u>\$ 6,239,155</u>	<u>\$ 610,651</u>	<u>\$ 30,697,534</u>	<u>\$ 23,888,657</u>	<u>\$ 1,117,868</u>	<u>\$ 556,095</u>	<u>\$ 25,562,620</u>

See notes to consolidated financial statements.

**CHEYENNE MOUNTAIN ZOOLOGICAL SOCIETY AND
CHEYENNE MOUNTAIN ZOO ENDOWMENT FUND**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2010 AND 2009**

	2010	2009
OPERATING ACTIVITIES		
Change in net assets	\$ 5,134,914	\$ (459,951)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,492,859	1,553,809
Realized and unrealized investment losses (gains)	(160,628)	227,529
Other	(65,861)	45,630
Contributions restricted for long term purposes	(5,752,968)	(3,000)
Contributions of investments	(60,512)	(98,126)
Amortization of discount on promises to give	(47,174)	(79,569)
Provision for promises to give	160,267	
Changes in operating assets and liabilities:		
Other current assets	4,912	15,961
Accounts payable	308,006	(82,260)
Accrued expenses and other liabilities	54,100	67,026
Deferred membership revenue	<u>31,096</u>	<u>69,070</u>
Net cash provided by operating activities	<u>1,099,011</u>	<u>1,256,119</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,713,849)	(1,892,893)
Sales of property and equipment	500	2,300
Purchases of investments	(95,692)	(74,467)
Sales of investments	105,947	78,101
Change in restricted cash	<u>(723,362)</u>	<u>(94,066)</u>
Net cash used in investing activities	<u>(2,426,456)</u>	<u>(1,981,025)</u>
FINANCING ACTIVITIES		
Cash collected from promises to give — restricted for long term purposes	2,612,477	803,773
Payments on notes payable	<u>(1,665,132)</u>	<u>(2,487,518)</u>
Net cash provided by (used in) financing activities	<u>947,345</u>	<u>(1,683,745)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(380,100)	(2,408,651)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,784,513</u>	<u>5,193,164</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,404,413</u>	<u>\$ 2,784,513</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 187,463</u>	<u>\$ 276,078</u>

See notes to consolidated financial statements.

CHEYENNE MOUNTAIN ZOOLOGICAL SOCIETY AND CHEYENNE MOUNTAIN ZOO ENDOWMENT FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cheyenne Mountain Zoological Society (the Society) owns and operates the Cheyenne Mountain Zoo and the Cheyenne Mountain Highway, which are located in Colorado Springs, Colorado. The Society's purpose is to provide educational programs and exhibits designed to foster an appreciation and respect for the dignity and intrinsic value of all living things, to provide survival assistance for species in peril, to expand its constituency, to increase its sphere of influence, to broaden its base of support, to reinforce its role as a source of community pride and economic strength in the Pikes Peak Region, and to provide a quality recreational experience for its guests.

The Society established the Cheyenne Mountain Zoo Endowment Fund (the Foundation) as a supporting organization. It operates as a foundation and was organized solely for the benefit of the Society.

The Society's programs are described as follows:

- **Animal management:** To house and display an animal collection for the cultural and recreational benefit of the general public, and to provide assistance for species in peril by lost habitat.
- **Education:** Provide educational programs designed to foster an appreciation and respect for animals and to educate the community on the ecosystems of the world.

Principles of Consolidation — The consolidated financial statements include the accounts of the Society and the Foundation (collectively referred to as the Organization). The Foundation is consolidated since the Society has both an economic interest in and control over the Foundation. All material inter-organizational transactions have been eliminated.

Basis of Presentation — The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Contributions — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and 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 donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of furnishings and equipment as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire furnishings and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Cash and Cash Equivalents — The Organization considers all unrestricted and undesignated highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash restricted for capital expansion and improvements consists of cash received from donors with donor-imposed restrictions.

Investments — Investments are carried at fair value. Investments in mutual funds are reported at quoted market prices. Realized and unrealized gains and losses are reflected in the combined statements of activity. Earnings on restricted investments are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the earnings are recognized. All other earnings on donor restricted investments are recognized as an increase in temporarily restricted net assets according to the nature of the restrictions on the original gift. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Inventory — Inventory is recorded at the lower of cost or market using the first-in, first-out method.

Promises to Give — Unconditional promises to give are recognized as support and assets in the period received. Promises to give are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Management provides for probable uncollectable amounts through an allowance for uncollectable promises to give based on an assessment of the current status of individual receivables. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment — Property and equipment are capitalized at cost, or if donated, at their fair market value on the date of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets which are generally 3 to 30 years.

The Organization's general policy is to capitalize acquisitions of property and equipment in excess of \$1,500 which have a useful life exceeding one year. Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

Asset Retirement Obligations — Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction or development and the normal operation of a long-lived asset. These standards require the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred or a change in estimate occurs if a reasonable estimate of fair value can be made. Certain of the Organization's facilities may contain asbestos that would have to be removed if such facilities were to be demolished or undergo a major renovation. The Organization cannot reasonably estimate the fair value of the liability for asbestos removal and accordingly has not recorded an asset retirement obligation for these matters.

In-kind Contributions — The Organization received contributed goods and services of approximately \$1,072,229 and \$880,688 for the years ended April 30, 2010 and 2009, respectively. Contributed goods and services consisted primarily of advertising and are included with expenses. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, which are not recorded.

Animal Collection — In accordance with industry practice, no amounts have been recorded for the animal collections as there is no objective basis for establishing value. Additionally, animal collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Accordingly, acquisitions are recorded as expenditures in the period of acquisition.

Advertising — The Organization expenses advertising costs as they are incurred.

Functional Allocation of Expenses — The costs of providing the various program services and supporting activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status — The Society and The Foundation are nonprofit organizations, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and are not private foundations under Section 509(a)(2).

Use of Estimates — Preparation of the Organization's combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through August 24, 2010, the date the financial statements were available for issuance.

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective May 1, 2009, the Organization changed its method of accounting for memberships. Previously, membership revenue was recognized when payment was received. Under the new method, the Organization recognizes membership revenue over the membership period. The new method was applied retrospectively, and as a result, the Organization recognized deferred revenue and decreased its beginning net assets at May 1, 2008 by \$425,693. Membership revenue recognized during the years ended April 30, 2010 and 2009 decreased by \$31,097 and \$69,070, respectively as a result of the change.

3. PROMISES TO GIVE

Unconditional promises to give are as follows:

	2010	2009
Due in less than one year	\$ 1,477,287	\$ 1,796,561
Due in one to five years	<u>4,123,407</u>	<u>146,096</u>
Total	5,600,694	1,942,657
Less discount on promises to give	525,281	54,909
Less allowances for uncollectible promises to give	<u>160,267</u>	<u> </u>
Total	<u>\$ 4,915,146</u>	<u>\$ 1,887,748</u>

At April 30, 2010, 89% of promises to give are due from one organization and three individuals.

4. CHARITABLE REMAINDER TRUST

The Organization is a beneficiary under a charitable remainder trust, for which a local bank serves as the trustee and makes annual distributions to the lead beneficiary. The distributions are to continue for the lifetime of the lead beneficiary. Upon the death of such beneficiary, the trust's remaining principal will be distributed to the Organization. Based on the beneficiary's life expectancy, an estimated annual investment return of approximately 7%, and a discount rate of approximately 4%, the present value of future benefits to be received by the Organization is estimated to be \$153,124 and \$100,114 at April 30, 2010 and 2009. This amount is classified as temporarily restricted until the trust's assets are distributed to the Organization.

5. INVESTMENTS

The nature of and carrying amount of each group of investments are as follows:

	2010	2009
Society:		
Bond mutual funds	\$ 107,202	\$ 90,045
Money market accounts	59,706	59,698
Foundation:		
Equity mutual funds	473,172	310,469
Bond mutual fund	266,533	206,329
Money market accounts	<u>25,731</u>	<u>54,918</u>
Total	<u>\$ 932,344</u>	<u>\$ 721,459</u>

Investment income consists of the following:

	2009	2008
Interest and dividends	\$ 40,075	\$ 85,215
Realized and unrealized losses on investments	<u>160,628</u>	<u>(227,529)</u>
Total	<u>\$ 200,703</u>	<u>\$ (142,314)</u>

6. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require the Organization to use a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical investments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of April 30, 2010 and 2009:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2010:				
ASSETS				
Mutual funds	\$ 846,907	\$ 846,907		
Money market accounts	85,437	85,437		
Contribution receivable from charitable remainder trust	153,124			\$ 153,124
Beneficial interest in perpetual trust	<u>133,284</u>	<u> </u>	<u>\$ 133,284</u>	<u> </u>
Total	<u>\$ 1,218,752</u>	<u>\$ 932,344</u>	<u>\$ 133,284</u>	<u>\$ 153,124</u>

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2009:				
ASSETS				
Mutual funds	\$ 606,843	\$ 606,843		
Money market accounts	114,616	114,616		
Contribution receivable from charitable remainder trust	100,114			\$ 100,114
Beneficial interest in perpetual trust	<u>120,556</u>	<u> </u>	\$ <u>120,556</u>	<u> </u>
Total	<u>\$ 942,129</u>	<u>\$ 721,459</u>	<u>\$ 120,556</u>	<u>\$ 100,114</u>

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 financial instruments for the year ended April 30, 2010 and 2009:

Contribution receivable from charitable remainder trust:

May 1, 2008	\$ 117,726
Change in value of split interest agreement	<u>(17,612)</u>
April 30, 2009	100,114
Change in value of split interest agreement	<u>53,010</u>
April 30, 2010	<u>\$ 153,124</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2010	2009
Buildings and exhibits	\$ 35,467,268	\$ 33,998,671
Land improvements	2,631,333	2,682,404
Furniture and equipment	1,357,975	1,256,188
Vehicles	367,592	385,692
Land	61,849	61,849
Construction in progress	<u>245,511</u>	<u>89,001</u>
Total	40,131,528	38,473,805
Less accumulated depreciation	<u>15,161,452</u>	<u>13,724,342</u>
Total	<u>\$ 24,970,076</u>	<u>\$ 24,749,463</u>

8. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization is a beneficiary of a charitable trust whose principal is to be held in perpetuity. The Organization's share of the fair market value of this trust totaled \$133,284 and \$120,556 at April 30, 2010 and 2009, respectively.

9. LINE OF CREDIT

The Organization has a \$750,000 revolving credit agreement with a bank which expires in October, 2010. The line of credit bears interest at the bank's prime lending rate less one percent and is unsecured. The Organization had no borrowings on the revolving credit agreement at April 30, 2010 or 2009.

10. NOTES PAYABLE

Notes payable consists of the following at April 30:

	2010	2009
Note payable to a financial institution bearing interest at 4.62%, interest was due monthly and principal was payable in annual installments of \$625,000 annually, secured by property and equipment. The balance of the note was paid in May, 2010.	\$ 324,680	\$ 1,748,814
Note payable to a financial institution bearing interest at 4.89%, due in monthly principal and interest payments of \$29,647 through May 2018, secured by property and equipment.	2,344,942	2,578,099
Unsecured note payable to a company for equipment, due in monthly principal and interest payments of \$865 through July 2013 at an effective interest rate of 7.7%.	<u>29,897</u>	<u>37,738</u>
Total	<u>\$ 2,699,519</u>	<u>\$ 4,364,651</u>

Required annual minimum principal payments on the above notes are as follows:

2011	\$ 585,919
2012	265,742
2013	279,276
2014	288,538
2015	297,115
Thereafter	<u>982,929</u>
Total	<u>\$ 2,699,519</u>

11. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2010	2009
Capital expansion and improvements	\$ 5,972,450	\$ 883,237
Other	<u>266,705</u>	<u>234,631</u>
Total	<u>\$ 6,239,155</u>	<u>\$ 1,117,868</u>

Permanently restricted net assets consist of the Organization's beneficial share of the fair value of the

perpetual trust totaling \$133,284 and \$120,556 at April 30, 2010 and 2009, respectively, and the endowment's funds totaling \$477,367 and \$435,539 at April 30, 2010 and 2009, respectively.

12. ENDOWMENT FUNDS

The Organization's endowment consists of three individual funds established for a variety of purposes. Its endowment includes both donor-related endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2008, the State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 purposes 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

Endowment Net Asset Composition by Type of Fund as of April 30 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2010:				
Donor-restricted endowment funds			\$ 610,651	\$ 610,651
Board-designated endowment funds	<u>\$ 288,069</u>	<u> </u>	<u> </u>	<u>288,069</u>
Total funds	<u>\$ 288,069</u>	<u>\$ —</u>	<u>\$ 610,651</u>	<u>\$ 898,720</u>
2009:				
Donor-restricted endowment funds	\$ (75,353)		\$ 556,095	\$ 480,742
Board-designated endowment funds	<u>211,530</u>	<u> </u>	<u> </u>	<u>211,530</u>
Total funds	<u>\$ 136,177</u>	<u>\$ —</u>	<u>\$ 556,095</u>	<u>\$ 692,272</u>

Changes in Endowment Net Assets for the years ended April 30, 2010 and 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2010:				
Endowment net assets, Beginning of year	<u>\$ 136,177</u>	<u>\$ —</u>	<u>\$ 556,095</u>	<u>\$ 692,272</u>
Investment return:				
Investment income	16,235		12,728	28,963
Net appreciation (realized and unrealized)	<u>141,996</u>		<u>7,078</u>	<u>149,074</u>
Total investment return	<u>158,231</u>		<u>19,806</u>	<u>178,037</u>
Contributions	<u>25,762</u>		<u>34,750</u>	<u>60,512</u>
Appropriation of endowment assets for expenditures	<u>(32,101)</u>			<u>(32,101)</u>
Endowment net assets, end of year	<u>\$ 288,069</u>	<u>\$ —</u>	<u>\$ 610,651</u>	<u>\$ 898,720</u>
2009:				
Endowment net assets, Beginning of year	<u>\$ 345,219</u>	<u>\$ —</u>	<u>\$ 515,465</u>	<u>\$ 860,684</u>
Investment return:				
Investment income	23,074		(37,370)	(14,296)
Net depreciation (realized and unrealized)	<u>(223,735)</u>			<u>(223,735)</u>
Total investment return	<u>(200,661)</u>		<u>(37,370)</u>	<u>(238,031)</u>
Contributions	<u>20,126</u>		<u>78,000</u>	<u>98,126</u>
Appropriation of endowment assets for expenditures	<u>(28,507)</u>			<u>(28,507)</u>
Endowment net assets, end of year	<u>\$ 136,177</u>	<u>\$ —</u>	<u>\$ 556,095</u>	<u>\$ 692,272</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of 6% over the inflation rate annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Subject to UPMIFA, the Organization currently has a policy of appropriating for distribution each year 5% of a twelve quarter trailing average of the market value of the Foundation calculated on March 31 of each year.

CHEYENNE MOUNTAIN ZOOLOGICAL SOCIETY

AND

CHEYENNE MOUNTAIN ZOO ENDOWMENT FUND

SUPPLEMENTAL CONSOLIDATING SCHEDULE

CHEYENNE MOUNTAIN ZOOLOGICAL SOCIETY AND CHEYENNE MOUNTAIN ZOO ENDOWMENT FUND

SUPPLEMENTAL CONSOLIDATING SCHEDULE OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2010

	Cheyenne Mountain Zoological Society			Cheyenne Mountain Zoo Endowment			Eliminations (Unrestricted)	Consolidated			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		Unrestricted	Temporarily Restricted	Permanently Restricted	
Contributions	\$ 1,480,496	\$ 6,313,308		\$ 25,762		\$ 34,750		\$ 1,506,258	\$ 6,313,308	\$ 34,750	\$ 7,854,316
Admissions	2,846,759							2,846,759			2,846,759
Membership	1,283,068							1,283,068			1,283,068
Auxiliary activities:											
Visitor services	1,024,121							1,024,121			1,024,121
Food and merchandise	553,411							553,411			553,411
Other auxiliary activities	462,838							462,838			462,838
Other	110,556		\$ 12,728	158,231	\$ 53,010	7,078		268,787	53,010	19,806	341,603
Distributions to Society from Endowment	32,101						\$ (32,101)				
Net assets released from restrictions:											
For operations	279,999	(279,999)						279,999	(279,999)		
For capital assets	965,032	(965,032)						965,032	(965,032)		
Total	9,038,381	5,068,277	12,728	183,993	53,010	41,828	(32,101)	9,190,273	5,121,287	54,556	14,366,116
Animal management	6,242,147							6,242,147			6,242,147
Education	935,522							935,522			935,522
Development and fundraising	760,547							760,547			760,547
General and administrative	673,075							673,075			673,075
Advertising and marketing	619,911							619,911			619,911
Distributions to Society from Endowment				32,101			(32,101)				
Total	9,231,202	-	-	32,101	-	-	(32,101)	9,231,202	-	-	9,231,202
CHANGE IN NET ASSETS	\$ (192,821)	\$ 5,068,277	\$ 12,728	\$ 151,892	\$ 53,010	\$ 41,828	\$ -	\$ (40,929)	\$ 5,121,287	\$ 54,556	\$ 5,134,914