

BIRMINGHAM ZOO, INC.

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEARS ENDED DECEMBER 31, 2011 AND 2010

PEARCE, BEVILL, LEESBURG, MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BIRMINGHAM ZOO, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Birmingham Zoo, Inc.
Birmingham, Alabama

We have audited the accompanying statements of financial position of the Birmingham Zoo, Inc., as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, 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 that our audits provide a reasonable basis for our opinion.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pearce, Bevill, Leesburg, Moore, P.C.

April 27, 2012

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BIRMINGHAM ZOO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	ASSETS	
	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 993,557	\$ 1,399,392
Cash - restricted	-	65,564
Certificates of deposit - restricted	22,325	1,027,660
Accounts receivable	223,132	35,092
Donations pledged	784,051	1,228,111
Inventories	131,858	124,018
Prepaid expenses and other assets	67,608	95,568
TOTAL CURRENT ASSETS	2,222,531	3,975,405
PROPERTY AND EQUIPMENT, NET		
Property and equipment, net of accumulated depreciation of \$9,013,357 (2011) and \$7,732,875 (2010)	31,805,754	30,480,182
Animal collection	1	1
TOTAL PROPERTY AND EQUIPMENT, NET	31,805,755	30,480,183
TOTAL ASSETS	\$ 34,028,286	\$ 34,455,588
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 463,818	\$ 528,010
Accrued liabilities	456,466	456,450
Deferred income	1,437,026	410,554
Lines of credit	-	875,890
Current portion of long-term debt	51,849	70,000
TOTAL CURRENT LIABILITIES	2,409,159	2,340,904
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	6,314,722	6,763,665
TOTAL LONG-TERM LIABILITIES	6,314,722	6,763,665
TOTAL LIABILITIES	8,723,881	9,104,569
NET ASSETS		
Unrestricted	25,246,205	25,249,945
Temporarily restricted	58,200	101,074
TOTAL NET ASSETS	25,304,405	25,351,019
TOTAL LIABILITIES AND NET ASSETS	\$ 34,028,286	\$ 34,455,588

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
Support and revenues		
Admissions	\$ 2,749,740	\$ 2,038,353
Auxiliary services	1,664,745	1,482,495
City of Mountain Brook - subsidy	75,000	75,000
City of Birmingham - subsidy	1,900,000	1,700,000
Other municipalities and county support	10,000	15,000
Contributions	431,860	391,790
In-kind donations	48,942	152,688
Interest income	4,778	8,914
Membership dues	1,073,438	886,673
Miscellaneous	386,556	112,332
Program and camp fees	393,392	303,614
Rental income	48,630	37,525
Special events	434,326	393,499
	<u>9,221,407</u>	<u>7,597,883</u>
Net assets released from restriction	861,665	7,518,184
Total support and revenue	<u>10,083,072</u>	<u>15,116,067</u>
Expenses		
Program services	8,432,926	7,041,578
Supporting services		
Management and general	1,221,710	1,075,610
Fund-raising	432,176	274,240
Total expenses	<u>10,086,812</u>	<u>8,391,428</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(3,740)</u>	<u>6,724,639</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	818,791	820,979
Net asset released from restriction - satisfied by payments	<u>(861,665)</u>	<u>(7,518,184)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(42,874)</u>	<u>(6,697,205)</u>
INCREASE (DECREASE) IN NET ASSETS	(46,614)	27,434
NET ASSETS AT BEGINNING OF PERIOD	<u>25,351,019</u>	<u>25,323,585</u>
NET ASSETS AT END OF PERIOD	<u>\$ 25,304,405</u>	<u>\$ 25,351,019</u>

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets	\$ (46,614)	\$ 27,434
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,280,483	1,168,232
Changes in operating assets and liabilities:		
Accounts receivable	(188,040)	(10,529)
Donations pledged	444,060	1,248,661
Inventories	(7,840)	24,652
Prepaid expenses and other assets	27,960	(20,549)
Accounts payable	(64,192)	(286,577)
Accrued liabilities	16	(10,393)
Deferred income	1,026,472	(8,294)
CASH PROVIDED BY OPERATING ACTIVITIES	2,472,305	2,132,637
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,606,055)	(10,506,951)
Proceeds from sale of property and equipment	-	1,201
Redemption of certificates of deposit	1,005,335	517,017
CASH USED FOR INVESTING ACTIVITIES	(1,600,720)	(9,988,733)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on lines of credit	(875,890)	436,000
Proceeds from long-term debt	602,276	6,531,654
Payments on long-term debt	(1,069,370)	(70,000)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(1,342,984)	6,897,654
NET DECREASE IN CASH	(471,399)	(958,442)
CASH AT BEGINNING OF YEAR	1,464,956	2,423,398
CASH AT END OF YEAR	\$ 993,557	\$ 1,464,956
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 179,677	\$ 79,978

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Program Services	Management and General	Fundraising	Total 2011	Total 2010
Salaries and wages	\$ 2,647,174	\$ 628,704	\$ 33,089	\$ 3,308,967	\$ 2,979,796
Administration	-	-	8,398	8,398	6,043
Advertising	-	-	2,020	2,020	787
Animal acquisitions	427	-	-	427	21,252
Animal exhibits	21,317	-	-	21,317	23,992
Animal management	363,603	-	-	363,603	299,338
Animal tracks	34,171	-	-	34,171	37,234
Auxiliary services	1,252,545	-	-	1,252,545	1,047,308
Bank and credit card processing fees	-	-	16,221	16,221	15,880
Computer	28,844	249	5,239	34,332	29,134
Conservation	44,690	-	-	44,690	19,650
Continuing education/conventions	24,224	5,115	586	29,925	8,188
Depreciation and amortization	1,138,302	35,946	23,965	1,198,213	1,085,963
Dues and subscriptions	20,494	1,977	95	22,566	20,645
Employee benefits	267,045	63,423	3,339	333,807	336,380
Equipment expense	9,813	1,038	677	11,528	17,180
Equipment rental	5,391	-	6,270	11,661	12,033
Insurance	124,991	-	-	124,991	138,076
Interest	-	-	179,677	179,677	79,978
Legal and accounting	-	-	22,955	22,955	22,371
Marketing	181,259	235,081	-	416,340	147,794
Miscellaneous	22,947	129	7,264	30,340	4,256
Payroll taxes	218,350	51,858	2,730	272,938	238,575
Postage and printing	3,962	17,262	4,687	25,911	31,288
Professional consultant	-	-	19,639	19,639	11,806
Repairs and maintenance	650,478	5,004	31,968	687,450	427,809
Security	56,104	9,901	-	66,005	65,308
Signage and graphics	438	2,252	36	2,726	7,871
Social and special events	130,055	137,392	-	267,447	288,006
Summer camps and other programs	118,587	-	-	118,587	58,071
Supplies	162,442	1,892	19,568	183,902	169,390
Taxes and licenses	12,808	-	9,010	21,818	25,412
Travel and meals	17,976	627	18,836	37,439	29,358
Uniforms	16,898	-	-	16,898	10,211
Utilities	755,580	23,860	15,907	795,347	617,159
Volunteers	15,009	-	-	15,009	6,113
Waste	87,002	-	-	87,002	51,773
TOTAL EXPENSES	\$ 8,432,926	\$ 1,221,710	\$ 432,176	\$ 10,086,812	\$ 8,391,428

See independent auditors' report and accompanying notes to financial statements.

BIRMINGHAM ZOO, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Birmingham Zoo, Inc. (BZI), incorporated on May 29, 1999, was established to manage and operate the Jimmy Morgan Zoo (Zoo) in the City of Birmingham, Alabama, beginning September 1, 1999. BZI was initially funded by its assumption of all the net assets of the Alabama Zoological Society (AZS), effective September 1, 1999, and by the transfer of all Zoo land and property from the City of Birmingham (City) to BZI. The transfer was executed by an agreement (Agreement) between BZI, the City, and a consortium representing Jefferson County and the cities of Mountain Brook and Homewood (Consortium). The Agreement represents three separate agreements: an agreement between BZI, the City, and the Consortium whereby the City leases the Zoo real estate to BZI for a 25-year term (with two 25-year renewable periods) for \$1 per year, as amended and extended on July 1, 2009; an intergovernmental agreement, dated July 12, 1999, to lease adjacent real estate to the Zoo (with similar terms) and to specify a City/Consortium five-year subsidy commitment for BZI's operations; and a lease assignment and operating agreement, dated September 1, 1999, between the City and BZI that details the various contractual relationships and responsibilities between the two entities.

BZI is a private, not-for-profit corporation directed by a Board of Directors (Board). The Zoo's purpose is to exhibit animals for the education of visitors, to promote and conduct conservation programs and research studies, and to sponsor educational activities for the community.

Financial Statement Presentation

The financial statements of BZI have been prepared on the accrual basis of accounting.

For financial statement presentation, BZI uses the FASB Accounting Standards Codification (ASC) Topic No. 958 on financial statements of not-for-profit organizations. Under ASC Topic No. 958, BZI reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted assets are available for the operations of the Zoo. Temporarily restricted net assets are subject to specific donor-imposed stipulations that can be fulfilled by actions of the Zoo pursuant to those stipulations or that expire by the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Zoo. Generally, the donors permit the Zoo to use all or part of the income earned on these assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, short-term money market accounts, amounts due from banks, and certificates of deposit with an original maturity of three months or less.

Accounts and Pledges Receivable

Accounts receivable, including client fees, grants, and pledges, are carried at original invoice or pledge amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowances for doubtful accounts by identifying troubled accounts or pledges and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Inventories

Merchandise inventories are stated at the lower of cost or market. Cost is determined on an average cost basis.

Property and Equipment

The leasehold interest conveyed to BZI by the City was recorded at historical cost for real property, while personal property was recorded at historical cost less an estimated amount for depreciation at the date of conveyance. Personal property contributed by the AZS was recorded at the net book value at the date of donation.

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are generally from 3 to 40 years. Assets acquired under capital leases are recorded at the net present value of the minimum lease payments. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Animal Collection

In accordance with industry practice, BZI's animal collection is recorded at the nominal amount of \$1, as there is no objective basis for establishing value. Additionally, the animal collection has numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Acquisitions are recorded as expenditures of the related operating activity. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the Zoo shares animals with other organizations. Consistent with industry practice, the Zoo does not record any liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

Income Taxes

BZI qualifies as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and similar Alabama law and is not subject to income taxes.

BZI has adopted accounting standards relating to uncertainty of income tax positions. As a result of this adoption management assessed whether there were any uncertain tax positions that may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. BZI files income tax returns in the U.S. federal jurisdiction and the state of Alabama. With few exceptions, BZI is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2008.

Donations and Bequests

Donations with donor-imposed restrictions are reported as temporarily or permanently restricted revenue. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction.

Auxiliary Services

BZI's auxiliary activities include retail and food operations, transportation operations, and other similar support activities.

Use of Estimates

Management of BZI has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses, the disclosure of contingent assets and liabilities to prepare these financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

Evaluation of Subsequent Events

BZI has evaluated all subsequent events through April 27, 2012, which is the date the financial statements were available to be issued and concluded no events or transactions occurred during the period requiring recognition or disclosure.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

NOTE B – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments at December 31, 2011 and 2010, respectively, consist of cash and investments restricted for the following purposes:

	2011	2010
Restricted Cash - Elephant Trails Capital Project	\$ <u> -</u>	\$ <u> 65,564</u>
Investments – Elephant Trails Capital Project	\$ <u> -</u>	\$ <u>1,005,404</u>
Investments – Endowments	<u> 22,325</u>	<u> 22,256</u>
	\$ <u> 22,325</u>	\$ <u>1,027,660</u>

NOTE C – DONATIONS PLEDGED

Donations of private support are recorded as revenue upon the receipt of the unconditional promise to give. Donations pledged are expected to be collected as follows:

	2011	2010
Within one year	\$ 622,783	\$ 691,333
Within two through five years	<u> 202,801</u>	<u> 574,667</u>
	825,584	1,266,000
Unamortized discount	(24,233)	(19,889)
Allowance for doubtful accounts	<u> (17,300)</u>	<u> (18,000)</u>
	\$ <u> 784,051</u>	\$ <u>1,228,111</u>

Donations and bequests pledged that are expected to be collected in more than one year have been recorded at net present value, calculated using a discount rate of 2.19% and 1.43% at December 31, 2011 and 2010, respectively.

NOTE D – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2011 and 2010 is as follows:

	2011	2010
Buildings and improvements	\$ 21,313,662	\$ 13,445,976
Land and improvements	13,423,653	7,565,552
Machinery and equipment	3,087,293	2,434,724
Computers and accessories	718,086	591,902
Vehicles	248,697	223,269
Furniture and fixtures	390,523	388,856
Zoolights equipment	64,660	64,660
Construction in progress	<u>1,572,537</u>	<u>13,498,118</u>
	40,819,111	38,213,057
Less accumulated depreciation	<u>(9,013,357)</u>	<u>(7,732,875)</u>
Net property and equipment	\$ <u>31,805,754</u>	\$ <u>30,480,182</u>

NOTE E – LINE OF CREDIT

BZI has a line of credit with Wells Fargo Bank in the amount of \$2,000,000 bearing interest at thirty day adjusted LIBOR plus 3.25% (3.51% at December 31, 2010). The outstanding balance on this line of credit at December 31, 2010 was \$875,890. The line of credit agreement contains financial loan covenants which include a funds flow coverage ratio and tangible net worth ratio requirement. BZI was in compliance with each of the debt covenants at December 31, 2011 and 2010. There was no outstanding balance on the line of credit at December 31, 2011.

NOTE F – LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2011	2010
Long-term debt to Regions Bank, due in annual installments of \$70,000 including interest at LIBOR plus 1.5% (1.78% and 1.76% at December 31, 2011 and 2010, respectively), through December 2012, unsecured.	\$ 51,849	\$ 121,219
Long term debt to Wells Fargo Bank, with an initial maximum borrowing amount of \$10,000,000 to finance construction of the Trails of Africa exhibit. Interest at LIBOR plus 2.3% (2.59% and 2.56% at December 31, 2011 and 2010, respectively). The debt requires maximum annual principal payments based on the outstanding balance of the debt. The estimated annual principal payments will range from \$814,722 to \$1,500,000 and the next payment is due in the first quarter of 2013.	<u>6,314,722</u>	<u>6,712,446</u>
Total long-term debt	6,366,571	6,833,665
Less current portion of long-term debt	<u>(51,849)</u>	<u>(70,000)</u>
Long-term debt	<u>\$ 6,314,722</u>	<u>\$ 6,763,665</u>

Future maturities of long-term debt are as follows for the years ending December 31:

2012	\$ 51,849
2013	814,722
2014	1,500,000
2015	1,250,000
2016	<u>2,750,000</u>
	<u>\$ 6,366,571</u>

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

A portion of BZI’s net assets is subject to donor restrictions for various uses or is restricted with respect to time. Occasionally, donors will restrict donations and bequests for capital improvement purposes, but not to specific projects, in which case the Board will designate for which project the donated funds will be used. Net assets are released from donor restrictions when expenses are incurred which satisfy the restricted purposes or by occurrence of other events specified by the donor. During 2011, activity within temporarily restricted net assets was as follows:

	December 31, 2010	Temporarily Restricted Contributions	Net Assets Released From Restriction	December 31, 2011
Elephant Trails Campaign	\$ -	\$ 435,501	\$ (435,501)	\$ -
Central Park	20,000	-	-	20,000
Endowment	23,000	-	-	23,000
Special Exhibits	58,074	383,290	(426,164)	15,200
	<u>\$ 101,074</u>	<u>\$ 818,791</u>	<u>\$ (861,665)</u>	<u>\$ 58,200</u>

NOTE H – PENSION PLAN

BZI has a 401(k) defined contribution retirement plan that covers substantially all of its full-time employees. A participant may contribute to the plan up to 15% of the participant’s wages per year (within IRS prescribed limits). BZI may make discretionary matching contributions to the plan, as directed by the Board. For the years ended December 31, 2011 and 2010, BZI did not make matching contributions to the Plan.

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance enables the reader of the financial statements to assess the inputs used to develop fair value measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. 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). There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

FASB ASC 820 requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Inputs consist of unadjusted quoted prices for identical assets in active markets that the plan has the ability to access.

Level 2 – Inputs consist of 1) quoted prices for similar assets in active markets, 2) quoted prices for identical or similar assets in inactive markets, 3) inputs other than quoted prices that are observable, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term.

Level 3 – Inputs consist of unobservable inputs where there is little or no market activity, and the reporting entity makes estimates and assumptions related to the pricing of the asset including assumptions regarding risk.

The following methods and assumptions were used by BZI in estimating the fair value of its financial instruments:

- (a) Cash and Cash Equivalents – Fair value equals carrying value of such assets due to short-term maturities of these instruments.
- (b) Pledges Receivable – Fair value equals the discounted present value using BZI's incremental borrowing rate.

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. Although BZI 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. There have been no changes in the valuation techniques used by BZI during the year ended December 31, 2011.

NOTE J – COMMITMENT AND CONTINGENCY

BZI is a lessee under an operating lease obligation for copy machines. The lease calls for 60 equal monthly payments of \$455. The expiration date is January 2014 and can be renewed annually at the end of the lease term. Maturities under the leases for the five years subsequent to December 31, 2011 are as follows:

2012	\$ 5,460
2013	5,460
2014	<u>455</u>
	\$ <u>11,375</u>

Rental expense associated with the operating lease was \$5,460 for the years ended December 31, 2011 and 2010, respectively.

NOTE K – CONCENTRATIONS

BZI maintains cash and cash equivalent accounts in financial institutions, which from time to time may exceed federally insured amounts.

NOTE L – LEASEHOLD INTEREST

The City, directly or indirectly by the Park Board, has conveyed to BZI a leasehold interest in all real and personal property of the Zoo (see Note A) for the purpose of operating, maintaining, or improving the Zoo. Title to the leasehold properties remains with the City or the Park Board, but is subject to BZI’s rights as a lessee. BZI has the right to make additions, deletions, and modifications and changes to the properties as required for the proper operation and maintenance of the Zoo. BZI has the right to pledge the City leasehold properties as security for obtaining financing, as needed for purposes of operation and development of the Zoo. Also, BZI may acquire, sell, borrow, loan, and transfer or convey animals as considered reasonable and proper, in the circumstances, for the operation, maintenance and development of the Zoo. All property additions and improvements are included in the leasehold, with title remaining with the City or Park Board. Notwithstanding the City’s or Park Board’s title to the properties, all the real and personal property included in the leasehold interest are recorded in the financial statements to reflect BZI’s accountability for the properties.

NOTE M – RELATED PARTY TRANSACTIONS

BZI receives donations from employees and entities in which certain board members serve in some capacity. These donations represent approximately \$183,000 and \$397,500 in pledge receivables at December 31, 2011 and 2010, respectively, and \$0 and \$75,500 in pledge revenues earned during the years ended December 31, 2011 and 2010, respectively.

NOTE N – CONTRIBUTED MATERIALS AND SERVICES

BZI records in-kind contributions in accordance with the Financial Accounting Standards Board Codification section of Revenue Recognition for Not-for-Profit Entities. This pronouncement requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in additions to property and equipment.

BZI received contributed materials to construct an exhibit during the year ended December 31, 2011 with a fair value of \$45,000. Additionally BZI received contributed materials for fundraising events during the year ended December 31, 2011 with a fair value of \$3,942.

BZI receives a significant amount of contributed time (over 23,000 volunteer hours per year) from volunteers, members and officers of the Board which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

BIRMINGHAM ZOO, INC.
SCHEDULES OF AUXILIARY SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Food and beverage	\$ 260,875	\$ 208,581
Gift shop	606,529	513,561
Train and carousel	672,532	663,088
Camel rides	95,532	79,470
Other	29,277	17,795
Total revenue	<u>1,664,745</u>	<u>1,482,495</u>
 COST OF SALES	 <u>273,128</u>	 <u>181,509</u>
 GROSS PROFIT	 1,391,617	 1,300,986
 EXPENSES		
Salaries and wages	491,856	451,118
Bank and credit card fees	86,874	68,008
Computer	458	1,260
Depreciation	82,270	82,269
Employee benefits	49,618	50,925
Equipment	31,148	13,997
Fuel	11,673	9,211
Other	1,771	3,812
Payroll taxes	45,102	40,571
Repairs and maintenance	33,677	35,544
Signage, postage and printing	21,888	2,792
Supplies	21,652	26,115
Travel and meals	3,129	3,899
Utilities	98,301	76,278
Total expenses	<u>979,417</u>	<u>865,799</u>
 NET AUXILIARY SERVICES	 <u>\$ 412,200</u>	 <u>\$ 435,187</u>

See independent auditors' report and accompanying notes to financial statements.