

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**Cheyenne Mountain Zoological Society and  
Cheyenne Mountain Zoo Endowment Fund**

For the Years Ended April 30, 2018 and 2017

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
Cheyenne Mountain Zoological Society

We have audited the accompanying consolidated financial statements of Cheyenne Mountain Zoological Society and Cheyenne Mountain Zoo Endowment Fund (collectively the “Organization”), which comprise the consolidated statements of financial position as of April 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management’s responsibility for the 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.

### Auditor’s 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 audit 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 the auditor’s 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 financial position of Cheyenne Mountain Zoological Society and Cheyenne Mountain Zoo Endowment Fund as of April 30, 2018 and 2017, and the 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.

#### Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 19-20 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Wichita, Kansas  
July 5, 2018

**Cheyenne Mountain Zoological Society and  
Cheyenne Mountain Zoo Endowment Fund**

Consolidated statements of financial position

	As of April 30,	
	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 19,037,917	\$ 14,913,483
Cash restricted for capital expansion and other purposes	6,038,958	5,271,027
Other current assets	301,121	328,035
Promises to give, net	5,510,836	6,595,746
Investments	7,376,726	6,785,039
Property and equipment, net	31,982,710	30,487,250
Beneficial interest in perpetual trust	143,937	135,175
Animal collection	-	-
Total assets	<u>\$ 70,392,205</u>	<u>\$ 64,515,755</u>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable	\$ 863,353	\$ 231,574
Accrued expenses and other liabilities	1,460,487	1,343,934
Deferred membership revenue	1,058,051	981,331
Note payable and capital lease	91,842	430,903
Total liabilities	<u>3,473,733</u>	<u>2,987,742</u>
Net assets		
Unrestricted		
Invested in property and equipment	31,890,868	30,056,347
Operating	18,186,653	14,563,717
Endowment	<u>3,544,482</u>	<u>3,252,106</u>
Total unrestricted	53,622,003	47,872,170
Temporarily restricted	11,438,636	11,866,772
Permanently restricted	<u>1,857,833</u>	<u>1,789,071</u>
Total net assets	<u>66,918,472</u>	<u>61,528,013</u>
Total liabilities and net assets	<u>\$ 70,392,205</u>	<u>\$ 64,515,755</u>

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

**Cheyenne Mountain Zoological Society and  
Cheyenne Mountain Zoo Endowment Fund**

Consolidated statements of activities

	Year ended April 30, 2018				Year ended April 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue								
Admissions	\$ 8,411,690	\$ -	\$ -	\$ 8,411,690	\$ 8,234,547	\$ -	\$ -	\$ 8,234,547
Contributions	968,120	2,056,906	60,000	3,085,026	1,063,332	5,265,022	66,548	6,394,902
Membership	2,423,422	-	-	2,423,422	2,264,150	-	-	2,264,150
Auxiliary activities:								
Visitor services	1,973,122	-	-	1,973,122	1,951,648	-	-	1,951,648
Food and merchandise	1,265,442	-	-	1,265,442	1,229,348	-	-	1,229,348
Other auxiliary activities	1,101,722	-	-	1,101,722	1,038,933	-	-	1,038,933
Other	724,451	-	8,762	733,213	674,640	-	8,147	682,787
Insurance proceeds	86,761	-	-	86,761	136,622	-	-	136,622
Net assets released from restrictions:								
For operations	4,276	(4,276)	-	-	11,237	(11,237)	-	-
For capital assets	2,480,766	(2,480,766)	-	-	772,249	(772,249)	-	-
Total	19,439,772	(428,136)	68,762	19,080,398	17,376,706	4,481,536	74,695	21,932,937
Expenses								
Program services:								
Animal management	9,062,096	-	-	9,062,096	8,772,201	-	-	8,772,201
Education	1,883,637	-	-	1,883,637	1,727,139	-	-	1,727,139
Supporting activities:								
General and administrative	1,120,821	-	-	1,120,821	1,020,555	-	-	1,020,555
Advertising and marketing	919,253	-	-	919,253	877,457	-	-	877,457
Development and fundraising	704,132	-	-	704,132	623,657	-	-	623,657
Total	13,689,939	-	-	13,689,939	13,021,009	-	-	13,021,009
Change in net assets	5,749,833	(428,136)	68,762	5,390,459	4,355,697	4,481,536	74,695	8,911,928
Net assets, beginning of year	47,872,170	11,866,772	1,789,071	61,528,013	43,516,473	7,385,236	1,714,376	52,616,085
Net assets, end of year	<u>\$ 53,622,003</u>	<u>\$ 11,438,636</u>	<u>\$ 1,857,833</u>	<u>\$ 66,918,472</u>	<u>\$ 47,872,170</u>	<u>\$ 11,866,772</u>	<u>\$ 1,789,071</u>	<u>\$ 61,528,013</u>

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

## Consolidated statements of cash flows

	<b>For the year ended April 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Change in net assets	\$ 5,390,459	\$ 8,911,928
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	2,505,158	2,478,636
Realized and unrealized investment gains	(416,159)	(460,917)
Change in perpetual trusts	(8,762)	(8,147)
Change in contributions receivable from trusts	-	1,004,014
Contributions restricted for long term purposes, net	(1,851,953)	(5,331,570)
Changes in discount on promises to give	(163,266)	(12,379)
(Gain) loss on disposal of equipment	1,272	(8,202)
Changes in operating assets and liabilities:		
Other current assets	26,914	(76,427)
Accounts payable	631,779	46,754
Accrued expenses and other liabilities	116,553	233,488
Deferred membership revenue	76,720	119,218
Net cash provided by operating activities	<u>6,308,715</u>	<u>6,896,396</u>
<b>Investing activities</b>		
Purchase of property and equipment	(4,299,858)	(1,262,871)
Proceeds from disposal of property and equipment	297,968	156,051
Purchases of investments	(2,372,787)	(4,062,610)
Sales of investments	2,197,259	3,096,666
Change in restricted cash	(767,931)	(2,767,650)
Net cash used in investing activities	<u>(4,945,349)</u>	<u>(4,840,414)</u>
<b>Financing activities</b>		
Cash contributions restricted for long-term purposes	3,100,129	3,632,347
Payments on note payable and capital lease	(339,061)	(255,325)
Net cash provided by financing activities	<u>2,761,068</u>	<u>3,377,022</u>
Net increase in cash and cash equivalents	4,124,434	5,433,004
Cash and cash equivalents, beginning of year	<u>14,913,483</u>	<u>9,480,479</u>
Cash and cash equivalents, end of year	<u>\$ 19,037,917</u>	<u>\$ 14,913,483</u>
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ 7,250	\$ 14,624
<b>Non-cash investing and financing activities</b>		
Property and equipment additions in accounts payable	\$ 577,134	\$ -

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

## Notes to consolidated financial statements

### Note A – Summary of significant accounting policies

The Cheyenne Mountain Zoological Society (the “Society”) owns and operates the Cheyenne Mountain Zoo which is located in Colorado Springs, Colorado. A leader in conservation, captive breeding and animal care, the Society connects people with wildlife and wild places through experiences that inspire action. As a leader in the community, its purpose is to educate people and provide first-class animal experiences that bring people into the awe and wonder of animals and the natural world resulting in action toward the environment.

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 inter-organizational transactions have been eliminated in consolidation.

### **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.



Note A – Summary of significant accounting policies (continued)

**Contributions (continued)**

Support that is restricted by the donor 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. Cash and cash equivalents held and managed as investments are classified as investments.

**Investments**

Investments are carried at fair value. Investments in mutual funds, corporate bonds and U.S. treasuries are reported at quoted market prices. Realized and unrealized gains and losses are reflected in the consolidated 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 net realizable value using the first-in, first-out method. Inventory is included in other current assets on the consolidated statements of financial position.

**Promises to give, net**

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 adjusted discount rate applicable to the year in which the promise is received (3.0% during the years ended April 30, 2018 and 2017). Amortization of the discount is included in contribution revenue. Management provides for estimated 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.

Note A – Summary of significant accounting policies (continued)

**Property and equipment, net**

Property and equipment are capitalized at cost, or if donated, at their fair 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 \$5,000 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. Accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 \$119,771 and \$175,871 for the years ended April 30, 2018 and 2017, respectively. Contributed goods and services consisted primarily of animal related services 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 as they did not create or enhance a non-financial asset and were not performed by volunteers with specialized skills that would typically be purchased.

**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. Such costs amounted to \$459,211 and \$371,175 for the years ended April 30, 2018 and 2017, respectively.

**Functional allocation of expenses**

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

**Cheyenne Mountain Zoological Society and  
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Note A – Summary of significant accounting policies (continued)

**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). In addition, the Organization qualifies for the charitable contribution deduction.

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements. Tax years that remain subject to examination include 2013 through the current period.

**Use of estimates**

Preparation of the Organization’s consolidated financial statements in conformity with U.S. GAAP require 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.

Note B – Promises to give, net

Unconditional promises to give are as follows:

	<b>As of April 30, 2018</b>
Year ending April 30,	
2019	\$ 1,725,713
2020	1,070,828
2021	409,245
2022	638,000
2023 – 2026	2,300,000
Total	6,143,786
Less discount on promises to give	(528,950)
Less allowance for uncollectable promises to give	(104,000)
Total	<u>\$ 5,510,836</u>

	<b>As of April 30, 2017</b>
Year ending April 30,	
2018	\$ 1,532,847
2019	1,654,101
2020	933,894
2021	367,245
2022 - 2026	2,903,875
Total	7,391,962
Less discount on promises to give	(692,216)
Less allowance for uncollectable promises to give	(104,000)
Total	<u>\$ 6,595,746</u>

Amounts due from related parties as of April 30, 2018 and 2017 amounted to \$391,320 and \$159,853, respectively.

Note C – Investments and fair value measurements

U.S. GAAP requires 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 tables set forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value:

**Cheyenne Mountain Zoological Society and  
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Note C – Investments and fair value measurements (continued)

	As of April 30, 2018			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Investments:				
Investments measured at fair value				
Domestic equity mutual funds	\$ 3,077,807	\$ 3,077,807	\$ -	\$ -
International equity mutual funds	639,634	639,634	-	-
Fixed income mutual funds	1,633,135	1,633,135	-	-
Corporate bonds	238,991	238,991	-	-
U.S. treasuries	1,187,350	1,187,350	-	-
Total investments at fair value	6,776,917	6,776,917	-	-
Cash and cash equivalents managed as investments	599,809			
Total investments	7,376,726			
Beneficial interest in perpetual trust	143,937	-	143,937	-
	As of April 30, 2017			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Investments:				
Investments measured at fair value				
Domestic equity mutual funds	\$ 2,937,485	\$ 2,937,485	\$ -	\$ -
International equity mutual funds	574,384	574,384	-	-
Fixed income mutual funds	1,691,523	1,691,523	-	-
Corporate bonds	564,698	564,698	-	-
U.S. treasuries	873,129	873,129	-	-
Total investments	6,641,219	6,641,219	-	-
Cash and cash equivalents managed as investments	143,820			
Total investments	6,785,039			
Beneficial interest in perpetual trust	135,175	-	135,175	-

**Cheyenne Mountain Zoological Society and  
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Note C – Investments and fair value measurements (continued)

Investment income consists of the following for the years ended April 30, 2018 and 2017:

	During the year ending April 30,	
	2018	2017
Interest and dividends	\$ 285,830	\$ 149,900
Realized and unrealized gains on investments	416,159	460,917
Total	<u>\$ 701,989</u>	<u>\$ 610,817</u>

Note D – Property and equipment

Property and equipment consist of the following:

	As of April 30,	
	2018	2017
Buildings and exhibits	\$ 52,270,967	\$ 52,080,670
Land improvements	3,381,509	3,363,207
Furniture and equipment	1,394,293	1,532,851
Vehicles	364,207	356,650
Land	1,111,849	61,849
Construction in progress	3,454,505	862,438
	<u>\$ 61,977,330</u>	<u>\$ 58,257,665</u>
Less accumulated depreciation	(29,994,620)	(27,770,415)
Total	<u>\$ 31,982,710</u>	<u>\$ 30,487,250</u>

Note E – 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 value of this trust totaled \$143,937 and \$135,175 at April 30, 2018 and 2017, respectively. Fair value in the trust is determined primarily based on the Organization's proportionate share of the fair value of the underlying assets of the trust. Fair value of the underlying assets is determined using quoted market prices and pricing services.

Note F – Line of credit

The Organization has a \$750,000 revolving credit agreement with a bank which expires on October 1, 2018. 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, 2018 or 2017.

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Note G – Note payable and capital lease

The Organization’s note payable and capital lease consist of the following:

	As of April 30,	
	2018	2017
Note payable to a financial institution bearing interest at 2.43%, due in monthly principal and interest payments of \$27,341 through May 2018. The note is secured by property and equipment.	\$ 27,287	\$ 350,377
Capital lease to a company for equipment, due in monthly principal and interest payments of \$1,518 through January 2022 at an effective interest rate of 3.00%.	64,555	80,526
<b>Total</b>	<b>\$ 91,842</b>	<b>\$ 430,903</b>

Required annual minimum principal payments on the above note and leases are as follows:

	Year ended April 30, 2018
2019	\$ 43,787
2020	17,003
2021	17,520
2022	13,532
	<b>\$ 91,842</b>

Note H – Restricted net assets

Temporarily restricted net assets are available for the following purposes:

	As of April 30,	
	2018	2017
Capital expansion and improvement	\$ 11,412,941	\$ 11,847,401
Other	25,695	19,371
<b>Total</b>	<b>\$ 11,438,636</b>	<b>\$ 11,866,772</b>

Permanently restricted net assets consist of the Organization’s beneficial share of the fair value of the perpetual trust totaling \$143,937 and \$135,175 and funds permanently restricted by donors held in the Foundation’s endowment funds totaling \$1,713,896 and \$1,653,895 at April 30, 2018 and 2017, respectively. Earnings on permanently restricted net assets are unrestricted.

Note I – Concentrations

Certain financial instruments potentially subject the Organization to concentrations of credit risk. These financial instruments consist primarily of cash and deposits with financial institutions in excess of insurance coverage. Management does not believe that the Organization is exposed to any significant credit or other financial risk as a result of these deposits.

Note I – Concentrations (continued)

For promises to give, the total of all individual donors with more than 10% of the total outstanding balance represented 50% and 63% of the Organization's total balances at April 30, 2018 and 2017, respectively.

Note J – Endowment funds

The Organization's endowment consists of three individual funds established for a variety of purposes. The endowment includes both donor-related endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, 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.

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:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization



**Cheyenne Mountain Zoological Society and  
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Note J – Endowment funds (continued)

Endowment net asset composition by type of fund is as follows:

	As of April 30, 2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,857,833	\$ 1,857,833
Board-designated endowment funds	3,544,481	-	-	3,544,481
<b>Total funds</b>	<b>\$ 3,544,481</b>	<b>\$ -</b>	<b>\$ 1,857,833</b>	<b>\$ 5,402,314</b>

	As of April 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,789,071	\$ 1,789,071
Board-designated endowment funds	3,252,106	-	-	3,252,106
<b>Total funds</b>	<b>\$ 3,252,106</b>	<b>\$ -</b>	<b>\$ 1,789,071</b>	<b>\$ 5,041,177</b>

Changes to endowment net assets by type of fund were as follows:

	Year ended April 30, 2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 3,252,106	\$ -	\$ 1,789,071	\$ 5,041,177
Investment income	503,500	-	8,762	512,262
Contributions	10,000	-	60,000	70,000
Appropriation of endowment assets for expenditures	(221,125)	-	-	(221,125)
<b>Endowment net assets, end of year</b>	<b>\$ 3,544,481</b>	<b>\$ -</b>	<b>\$ 1,857,833</b>	<b>\$ 5,402,314</b>

	Year ended April 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 2,907,900	\$ -	\$ 1,714,376	\$ 4,622,276
Investment income	535,260	-	8,147	543,407
Contributions	-	-	66,548	66,548
Appropriation of endowment assets for expenditures	(191,054)	-	-	(191,054)
<b>Endowment net assets, end of year</b>	<b>\$ 3,252,106</b>	<b>\$ -</b>	<b>\$ 1,789,071</b>	<b>\$ 5,041,177</b>

Note J – Endowment funds (continued)

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 5% 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 greater 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 investments calculated on March 31 of each year.

Note K – Commitments and contingencies

The Organization is involved in legal actions in the ordinary course of its business. Management believes that there is no pending legal proceeding against or involving the Organization for which the outcome is likely to have a material adverse effect upon the Organization's consolidated financial position or results.

Note L - Subsequent events

The Organization has evaluated subsequent events for recognition or disclosure through July 5, 2018, the date the financial statements were available for issuance. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTAL CONSOLIDATING SCHEDULES

**Cheyenne Mountain Zoological Society and  
Cheyenne Mountain Zoo Endowment Fund**

Supplemental consolidating schedules of activities

For the year ended April 30, 2018

	Cheyenne Mountain Zoological Society			Cheyenne Mountain Zoo Endowment			Eliminations (unrestricted)	Consolidated			
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Permanently restricted		Unrestricted	Temporarily restricted	Permanently restricted	Total
Admissions	\$ 8,411,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,411,690	\$ -	\$ -	\$ 8,411,690
Contributions	958,120	2,056,906	-	10,000	-	60,000	-	968,120	2,056,906	60,000	3,085,026
Membership	2,423,422	-	-	-	-	-	-	2,423,422	-	-	2,423,422
Auxiliary activities:											
Visitor services	1,973,122	-	-	-	-	-	-	1,973,122	-	-	1,973,122
Food and merchandise	1,265,442	-	-	-	-	-	-	1,265,442	-	-	1,265,442
Other auxiliary activities	1,101,722	-	-	-	-	-	-	1,101,722	-	-	1,101,722
Other	220,951	-	8,762	503,500	-	-	-	724,451	-	8,762	733,213
Insurance proceeds	86,761	-	-	-	-	-	-	86,761	-	-	86,761
Distributions to society from endowment	221,125	-	-	-	-	-	(221,125)	-	-	-	-
Net assets released from restrictions:											
For operations	4,276	(4,276)	-	-	-	-	-	4,276	(4,276)	-	-
For capital assets	2,480,766	(2,480,766)	-	-	-	-	-	2,480,766	(2,480,766)	-	-
<b>Total</b>	<b>19,147,397</b>	<b>(428,136)</b>	<b>8,762</b>	<b>513,500</b>	<b>-</b>	<b>60,000</b>	<b>(221,125)</b>	<b>19,439,772</b>	<b>(428,136)</b>	<b>68,762</b>	<b>19,080,398</b>
Animal management	9,062,096	-	-	-	-	-	-	9,062,096	-	-	9,062,096
Education	1,883,637	-	-	-	-	-	-	1,883,637	-	-	1,883,637
General and administrative	1,120,821	-	-	-	-	-	-	1,120,821	-	-	1,120,821
Advertising and marketing	919,253	-	-	-	-	-	-	919,253	-	-	919,253
Development and fundraising	704,132	-	-	-	-	-	-	704,132	-	-	704,132
Distributions to society from endowment	-	-	-	221,125	-	-	(221,125)	-	-	-	-
<b>Total</b>	<b>13,689,939</b>	<b>-</b>	<b>-</b>	<b>221,125</b>	<b>-</b>	<b>-</b>	<b>(221,125)</b>	<b>13,689,939</b>	<b>-</b>	<b>-</b>	<b>13,689,939</b>
<b>Change in net assets</b>	<b>\$ 5,457,458</b>	<b>\$ (428,136)</b>	<b>\$ 8,762</b>	<b>\$ 292,375</b>	<b>\$ -</b>	<b>\$ 60,000</b>	<b>\$ -</b>	<b>\$ 5,749,833</b>	<b>\$ (428,136)</b>	<b>\$ 68,762</b>	<b>\$ 5,390,459</b>

(continued on next page)

**Cheyenne Mountain Zoological Society and  
Cheyenne Mountain Zoo Endowment Fund**

Supplemental consolidating schedules of activities (continued)

For the year ended April 30, 2017

	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	
Admissions	\$ 8,234,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,234,547	\$ -	\$ -	\$ 8,234,547
Contributions	1,063,332	5,265,022	-	-	-	66,548	-	1,063,332	5,265,022	66,548	6,394,902
Membership	2,264,150	-	-	-	-	-	-	2,264,150	-	-	2,264,150
Auxiliary activities:											
Visitor services	1,951,648	-	-	-	-	-	-	1,951,648	-	-	1,951,648
Food and merchandise	1,229,348	-	-	-	-	-	-	1,229,348	-	-	1,229,348
Other auxiliary activities	1,038,933	-	-	-	-	-	-	1,038,933	-	-	1,038,933
Other	139,380	-	8,147	535,260	-	-	-	674,640	-	8,147	682,787
Insurance proceeds	136,622	-	-	-	-	-	-	136,622	-	-	136,622
Distributions to society from endowment	191,054	-	-	-	-	-	(191,054)	-	-	-	-
Net assets released from restrictions:											
For operations	11,237	(11,237)	-	-	-	-	-	11,237	(11,237)	-	-
For capital assets	772,249	(772,249)	-	-	-	-	-	772,249	(772,249)	-	-
<b>Total</b>	<b>17,032,500</b>	<b>4,481,536</b>	<b>8,147</b>	<b>535,260</b>	<b>-</b>	<b>66,548</b>	<b>(191,054)</b>	<b>17,376,706</b>	<b>4,481,536</b>	<b>74,695</b>	<b>21,932,937</b>
Animal management	8,772,201	-	-	-	-	-	-	8,772,201	-	-	8,772,201
Education	1,727,139	-	-	-	-	-	-	1,727,139	-	-	1,727,139
General and administrative	1,020,555	-	-	-	-	-	-	1,020,555	-	-	1,020,555
Advertising and marketing	877,457	-	-	-	-	-	-	877,457	-	-	877,457
Development and fundraising	623,657	-	-	-	-	-	-	623,657	-	-	623,657
Distributions to Society from endowment	-	-	-	191,054	-	-	(191,054)	-	-	-	-
<b>Total</b>	<b>13,021,009</b>	<b>-</b>	<b>-</b>	<b>191,054</b>	<b>-</b>	<b>-</b>	<b>(191,054)</b>	<b>13,021,009</b>	<b>-</b>	<b>-</b>	<b>13,021,009</b>
<b>Change in net assets</b>	<b>\$ 4,011,491</b>	<b>\$ 4,481,536</b>	<b>\$ 8,147</b>	<b>\$ 344,206</b>	<b>\$ -</b>	<b>\$ 66,548</b>	<b>\$ -</b>	<b>\$ 4,355,697</b>	<b>\$ 4,481,536</b>	<b>\$ 74,695</b>	<b>\$ 8,911,928</b>