



FRESNO COUNTY ZOO AUTHORITY MEETING

9:00 am, Wednesday, May 25, 2011

Fresno County Employees' Retirement Association

1111 H Street, Fresno, CA 93721

(559) 457-0681

ADDENDUM TO THE AGENDA

Receive presentation of Fresno Chaffee Zoo Corporation Financial Statements for year ended December 31, 2010 from Moore Grider & Company

Placement on Agenda: **To follow Item 4**



Moore Grider & Company

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

A Partnership Including Accountancy Corporations

Richard L. Holland, C.P.A.

Thomas L. Bell, C.P.A.,
Accountancy Corporation

Denise S. Hurst, C.P.A.

Kenneth J. Labendeira, C.P.A.,
Accountancy Corporation

Pamela J. Gallemore, C.P.A.,
Accountancy Corporation

Karl L. Noyes, C.P.A.,
Accountancy Corporation

Cheryl A. Storer, C.P.A., A.P.A.

Kendall K. Wheeler, C.P.A.

Cory J. Bell, C.P.A.

Necia Wollenman, C.P.A.

Rena R. Avedikian, C.P.A.

Kelli D. Steele, C.P.A.

Julie B. Fillmore, C.P.A.

Carrie M. Wiebe, C.P.A.

Nora E. Crow, C.P.A.

Nicholas Medeiros, C.P.A.

Oscar Espinoza, C.P.A.

L. Jerome Moore, C.P.A.
Retired

Robert E. Grider, C.P.A.
Retired

Board of Directors
Fresno's Chaffee Zoo Corporation

We have performed the procedures enumerated below, which were agreed to by Fresno's Chaffee Zoo Corporation, solely to assist you with the review of third-party reimbursements and Measure Z-funded expenses of Fresno's Chaffee Zoo Corporation as of and for the year ended December 31, 2010. Fresno's Chaffee Zoo Corporation's management is responsible for the presentation of the third-party reimbursements and Measure Z-funded expenses in accordance with the guidelines set forth by the Fresno County Zoo Authority. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

PROCEDURES

1. Review all (100%) reimbursements paid to FCZC for Measure Z-funded expense line items paid by "all other entities or third-parties (other than the Zoo Authority)" for purposes of determining if any operating and/or capital project expenses reimbursed by the Zoo Authority (Measure Z funds) were also reimbursed by a different entity or third-party.
2. Review a sample (at least 75% population coverage) of Measure Z claims submitted by FCZC for operations and capital projects, to determine if Measure Z-funded expenses were accounted for separately by FCZC.

FINDINGS

1. No exceptions were found as a result of applying the procedure.
2. No exceptions were found as a result of applying the procedure.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the third-party reimbursements and Measure Z-funded expenses. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Fresno's Chaffee Zoo Corporation and Fresno County Zoo Authority and is not intended to be and should not be used by anyone other than those specified parties.

Moore Grider & Company

May 10, 2011

FRESNO'S CHAFFEE ZOO CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010,
WITH COMPARATIVE TOTALS FOR 2009

FRESNO'S CHAFFEE ZOO CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010,
WITH COMPARATIVE TOTALS FOR 2009

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Moore Grider & Company

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

*A Partnership Including
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Robert E. Grider, C.P.A.
Retired

Board of Directors
Fresno's Chaffee Zoo Corporation
Fresno, California

We have audited the accompanying statement of financial position of Fresno's Chaffee Zoo Corporation as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Fresno's Chaffee Zoo Corporation. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information was derived from the organization's 2009 financial statements; and in our report dated April 2, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Fresno's Chaffee Zoo Corporation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Moore Grider & Company

May 10, 2011

FRESNO'S CHAFFEE ZOO CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010, WITH COMPARATIVE TOTALS FOR 2009

	UNRESTRICTED		TEMPORARILY	PERMANENTLY	TOTALS	
	FCZC	MEASURE Z	RESTRICTED	RESTRICTED	2010	2009
ASSETS						
CURRENT ASSETS						
Cash	\$ 1,224,254	\$ 0	\$ 167,884	\$ 0	\$ 1,392,138	\$ 695,648
Short-term investment (Note 1)	619,767	0	384,924	0	1,004,691	3,429,510
Accounts receivable, current portion (Note 2)	819,484	0	0	0	819,484	540,995
Pledges receivable, current portion (Note 3)	125	0	28,000	0	28,125	23,000
Prepaid expenses	225,235	0	0	0	225,235	67,237
TOTAL CURRENT ASSETS	2,888,865	0	580,808	0	3,469,673	4,756,390
ACCOUNTS RECEIVABLE, net of current portion reflected above (Note 2)	0	0	0	0	0	80,697
PLEDGES RECEIVABLE, net of current portion reflected above (Note 3)	0	0	16,000	0	16,000	44,000
CONSTRUCTION IN PROGRESS	878,446	0	0	0	878,446	97,371
EQUIPMENT AND FACILITIES, net of accumulated depreciation of \$438,268 in 2010 and \$283,332 in 2009	590,341	0	0	0	590,341	438,154
INVESTMENT IN SECURITIES (Note 4)	7,155,888	0	0	36,537	7,192,425	5,443,233
TOTAL ASSETS	11,513,540	0	596,808	36,537	12,146,885	10,859,845
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	449,671	0	0	0	449,671	258,107
Accrued expenses	242,719	0	0	0	242,719	243,043
Deferred revenue	0	0	0	0	0	5,500
TOTAL CURRENT LIABILITIES	692,390	0	0	0	692,390	506,650
COMMITMENTS AND CONTINGENCIES (Note 7)	0	0	0	0	0	0
NET ASSETS						
Permanently restricted (Note 5)	0	0	0	36,537	36,537	33,824
Temporarily restricted (Note 8)	0	0	596,808	0	596,808	539,416
Unrestricted (Note 9)	10,821,150	0	0	0	10,821,150	9,779,955
TOTAL NET ASSETS	10,821,150	0	596,808	36,537	11,454,495	10,353,195
TOTAL LIABILITIES AND NET ASSETS	\$11,513,540	\$ 0	\$ 596,808	\$ 36,537	\$12,146,885	\$10,859,845

FRESNO'S CHAFFEE ZOO CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010, WITH COMPARATIVE TOTALS FOR 2009

	UNRESTRICTED		TEMPORARILY	PERMANENTLY	TOTALS	
	FCZC	MEASURE Z	RESTRICTED	RESTRICTED	2010	2009
REVENUE AND SUPPORT						
Measure Z operating funds (Note 10)	\$ 0	\$2,499,399	\$ 0	\$ 0	\$ 2,499,399	\$ 3,514,245
Measure Z capital funds (Note 11)	0	985,473	0	0	985,473	783,052
City of Fresno transition funds (Note 12)	240,000	0	0	0	240,000	480,000
Admissions income	1,453,742	0	0	0	1,453,742	1,387,948
Gift shop sales	197,374	0	0	0	197,374	184,215
Donations	1,178,837	0	84,885	0	1,263,722	504,146
Concessions commission	226,325	0	0	0	226,325	217,934
Membership income	580,910	0	0	0	580,910	530,767
Donated materials and services (Note 13)	244,401	0	0	0	244,401	181,173
Stingray Bay Exhibit income	155,813	0	0	0	155,813	148,944
Education income	136,949	0	9,999	0	146,948	129,188
Event income	230,794	0	20,000	0	250,794	165,991
Investment income, net of expenses of \$35,582 in 2010 and \$27,451 in 2009	142,570	0	0	1,139	143,709	138,428
Unrealized gain on securities	666,111	0	0	2,536	668,647	870,861
Rental income	108,408	0	0	0	108,408	113,316
Giraffe feeding income	82,319	0	0	0	82,319	75,280
Adopt-an-Animal income	23,756	0	0	0	23,756	25,251
Interest income on short-term investment	32,626	0	0	0	32,626	80,648
Other income	14,728	0	0	0	14,728	14,082
Net assets released from restrictions:						
Satisfaction of program restrictions (Note 8)	57,492	0	(57,492)	0	0	0
Reclassification of endowment accounts (Note 5)	962	0	0	(962)	0	0
TOTAL REVENUE AND SUPPORT	5,774,117	3,484,872	57,392	2,713	9,319,094	9,545,469
EXPENSES						
Program services	4,130,565	3,086,658	0	0	7,217,223	6,360,143
Management and general	468,500	309,722	0	0	778,222	843,461
Fundraising	133,857	88,492	0	0	222,349	222,803
TOTAL EXPENSES	4,732,922	3,484,872	0	0	8,217,794	7,426,407
INCREASE IN NET ASSETS	1,041,195	0	57,392	2,713	1,101,300	2,119,062
NET ASSETS, beginning of year	9,779,955	0	539,416	33,824	10,353,195	8,234,133
NET ASSETS, end of year	\$10,821,150	\$ 0	\$ 596,808	\$ 36,537	\$11,454,495	\$10,353,195

FRESNO'S CHAFFEE ZOO CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010, WITH COMPARATIVE TOTALS FOR 2009

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTALS	
		MANAGEMENT AND GENERAL	FUNDRAISING	2010	2009
Advertising (Note 1)	\$ 431,083	\$ 0	\$ 0	\$ 431,083	\$ 253,511
Animal feed	224,795	0	0	224,795	226,955
Bank and credit card fees	29,719	4,321	1,235	35,275	27,877
Business expense	5,626	818	234	6,678	8,821
Computer/software expense	23,776	3,457	988	28,221	38,712
Conservation	24,601	3,577	1,022	29,200	29,395
Consultant fees	29,920	0	0	29,920	0
Depreciation	130,533	18,980	5,423	154,936	115,536
Dues	22,892	3,328	951	27,171	40,850
Equipment	96,791	14,074	4,021	114,886	63,491
Fleet	24,463	3,557	1,016	29,036	27,212
Food/catering expense	147,138	21,394	6,113	174,645	141,909
Improvements	3,416	496	142	4,054	0
Insurance - liability	109,802	15,965	4,562	130,329	137,662
Legal and accounting	79,697	11,588	3,311	94,596	0
Miscellaneous	53,513	3,678	1,051	58,242	35,540
Office supplies	20,615	2,998	856	24,469	18,787
Postage	26,298	3,824	1,092	31,214	42,495
Printing	69,322	10,079	2,880	82,281	60,206
Recruiting	1,105	161	46	1,312	16,678
Repairs and replacements	179,044	0	0	179,044	182,446
Salaries and benefits (Note 14)	1,258,387	182,970	52,277	1,493,634	1,361,554
Specialized services	539,555	76,217	21,776	637,548	8,618
Staff development	34,415	5,004	1,429	40,848	31,591
Supplies	201,030	29,230	8,351	238,611	194,050
Telephone	32,794	4,768	1,362	38,924	37,913
Uniforms	20,557	2,989	854	24,400	17,966
Utilities	309,678	45,027	12,865	367,570	9,335
	<u>4,130,565</u>	<u>468,500</u>	<u>133,857</u>	<u>4,732,922</u>	<u>3,129,110</u>
Measure Z operating funds (Note 10)	2,105,744	306,176	87,479	2,499,399	3,514,245
Measure Z capital funds (Note 11)	<u>980,914</u>	<u>3,546</u>	<u>1,013</u>	<u>985,473</u>	<u>783,052</u>
	<u>\$ 7,217,223</u>	<u>\$ 778,222</u>	<u>\$ 222,349</u>	<u>\$ 8,217,794</u>	<u>\$ 7,426,407</u>

FRESNO'S CHAFFEE ZOO CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,101,300	\$ 2,119,062
Adjustments to reconcile increase in net assets to net cash provided from operating activities:		
Depreciation	154,936	115,536
Unrealized gain on securities	(668,647)	(870,861)
Changes in:		
Accounts receivable	(197,792)	232,580
Pledges receivable	22,875	(67,000)
Prepaid expenses	(157,998)	(6,749)
Accounts payable	191,564	161,876
Accrued expenses	(324)	(91,863)
Deferred revenue	(5,500)	5,500
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>440,414</u>	<u>1,598,081</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in short-term investment	2,424,819	(729,510)
Purchase of equipment	(307,123)	(287,611)
Increase in construction in progress	(781,075)	(97,371)
Acquisition of securities	(1,080,545)	(296,214)
NET CASH PROVIDED FROM (USED BY) INVESTING ACTIVITIES	<u>256,076</u>	<u>(1,410,706)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash overdraft, December 31, 2008	<u>0</u>	<u>(83,669)</u>
NET INCREASE IN CASH	696,490	103,706
CASH, beginning of year	<u>695,648</u>	<u>591,942</u>
CASH, end of year	<u>\$ 1,392,138</u>	<u>\$ 695,648</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash transactions		
Donated materials and services	<u>\$ 244,401</u>	<u>\$ 181,173</u>

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1: ORGANIZATION/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fresno's Chaffee Zoo Corporation is a non-profit organization incorporated under the laws of the State of California. The organization was formed to operate, maintain and control zoological gardens, and collections and specimens of animals for the education, recreation and pleasure of the general public. The organization is supported primarily through Measure Z operating funds.

The following are the significant accounting policies of the organization:

Method of accounting - The financial statements are prepared using the accrual basis of accounting, in which support and revenue are recognized when earned or due and expenses are recognized when incurred.

Recognition of donor restrictions - Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Restrictions on assets - Restricted funds are reported as follow:

Permanently restricted net assets - consist of endowment fund investments to be held indefinitely. The investment income may be used for operations.

Temporarily restricted net assets - represent resources that have been designated by donors for specific projects and programs.

Short-term investment - Short-term investment consists of certificates of deposit, held in a CDARS account, which totaled \$1,004,691 and \$3,429,510 in 2010 and 2009, respectively. The certificates bear interest at 0.5% to 1.12% and have maturities of 3 to 12 months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through provisions for bad debt expense based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2010 and 2009 the organization considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1: ORGANIZATION/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. At December 31, 2010, the organization considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

Equipment and facilities - Equipment and facilities acquired by the organization are recorded at cost. Assets donated to the organization are recorded at their fair market value at the date of the donation. The organization's policy is to capitalize all expenditures for equipment and facilities in excess of \$1,500 and \$30,000, respectively. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Donated materials and services - The organization receives various donated materials and services. The estimated fair value of the donation is recorded as support and expense in the period received.

Unpaid volunteers make significant contributions of their time to assist the organization in its programs and special events. The value of volunteer time is not reflected in these statements because it is not susceptible to objective measurement or valuation.

Accounting estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes - Fresno's Chaffee Zoo Corporation is incorporated as a nonprofit California corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701d. Thus, no provision for taxes is included in these statements.

Advertising costs - Advertising costs are expensed as incurred and totaled \$431,083 and \$253,511 in 2010 and 2009, respectively.

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1: ORGANIZATION/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative financial information - The financial statements include certain prior-year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the ended December 31, 2009, from which the summarized information was derived.

NOTE 2: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2010 and 2009, consist of the following:

	2010	2009
Current portion:		
Measure Z Operating	\$ 332,968	\$ 353,443
Measure Z Capital	220,228	158,917
City of Fresno	244,892	0
Various	<u>21,396</u>	<u>28,635</u>
Total current portion	819,484	540,995
Long-term portion:		
City of Fresno	<u>0</u>	<u>80,697</u>
	<u>\$ 819,484</u>	<u>\$ 621,692</u>

NOTE 3: PLEDGES RECEIVABLE

Pledges receivable at December 31, 2010 and 2009 are as follows:

	2010	2009
Amounts due in:		
Less than one year	\$ 28,125	\$ 23,000
One to four years	<u>16,000</u>	<u>44,000</u>
	<u>\$ 44,125</u>	<u>\$ 67,000</u>

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 4: INVESTMENT IN SECURITIES

Investment in securities as of December 31, 2010 and 2009, is summarized below:

	2010	
	Quoted Market Value	Unrealized Gain (Loss)
Unrestricted:		
Bond mutual funds	\$ 2,474,960	\$ 210,758
Equity mutual funds	3,268,631	(287,591)
Corporate securities	1,318,202	119,823
Real estate investment trusts	7,767	706
Money market funds	<u>86,328</u>	<u>0</u>
	<u>7,155,888</u>	<u>43,696</u>
Permanently Restricted:		
Bond mutual funds	9,860	399
Equity mutual funds	26,375	(2,751)
Money market funds	<u>302</u>	<u>0</u>
	<u>36,537</u>	<u>(2,352)</u>
	<u>\$ 7,192,425</u>	<u>\$ 41,344</u>

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See next page for continuation of notes.

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 4: INVESTMENT IN SECURITIES

	2009	
	Quoted Market Value	Unrealized Loss
Unrestricted:		
Bond mutual funds	\$ 1,469,707	\$ (20,621)
Equity mutual funds	3,844,998	(601,794)
Money market funds	94,704	0
	<u>5,409,409</u>	<u>(622,415)</u>
Permanently Restricted:		
Bond mutual funds	14,388	(291)
Equity mutual funds	18,273	(4,597)
Money market funds	1,163	0
	<u>33,824</u>	<u>(4,888)</u>
	<u>\$ 5,443,233</u>	<u>\$ (627,303)</u>

NOTE 5: ENDOWMENTS

Effective January 1, 2009 the organization adopted the provisions established by accounting literature for Endowments of Not-for-Profit Foundations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. The accounting literature provides guidance for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The organization's endowment assets consist of individual funds established to provide financial support to the organization in perpetuity. The endowment assets include both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 5: ENDOWMENTS (Continued)

Interpretation of Relevant Law (continued)

stipulations to the contrary. As a result of this interpretation, the organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment 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 the 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

Return Objectives and Risk Parameters

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 funds restricted by donors that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to meet or exceed the Policy Index, as defined as 65% S&P 500, 30% Lehman Aggregate Bonds, and 5% Cash while assuming a moderate level of investment risk. The organization expects its endowment funds, over time, to provide an average nominal rate of return of approximately 8.5% annually. Additionally, the organization expects its endowment funds, over time, to provide an average real rate of return (after inflation) of approximately 5% annually. Actual returns in any given year may vary from this amount; therefore compliance with performance expectations is evaluated over a three to five-year time horizon.

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 5: ENDOWMENTS (Continued)

Return Objectives and Risk Parameters (continued)

To satisfy its long-term rate of return objectives, the organization relies on a total return strategy in which investment returns are achieved through a flow of interest, dividends and appreciation of assets. 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the organization seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The organization uses a method based upon the total return on assets to determine the amounts appropriated for expenditure for endowments under which the organization is the income beneficiary in conformity with the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA).

During 2007, the Board of Directors adopted a spending policy on all endowments, such that distribution amounts will be determined prior to the new fiscal year based on the previous twelve (12) quarters-end average market value, whenever possible. In any given year, the distribution of an individual endowment or endowments may be less than 5% if the total return is not enough to preserve the purchasing power of the fund.

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FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 5: ENDOWMENTS (Continued)

Endowment Net Asset Composition by Type of Fund

Endowment net assets consist of the following at December 31, 2010 and 2009:

	2010		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	0	\$ 36,537	\$ 36,537
Board-designated endowment funds	<u>2,896,598</u>	<u>0</u>	<u>2,896,598</u>
Total endowment net assets	<u>\$ 2,896,598</u>	<u>\$ 36,537</u>	<u>\$ 2,933,135</u>
	2009		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 0	\$ 33,824	\$ 33,824
Board-designated endowment funds	<u>2,353,641</u>	<u>0</u>	<u>2,353,641</u>
Total endowment net assets	<u>\$ 2,353,641</u>	<u>\$ 33,824</u>	<u>\$ 2,387,465</u>

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FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 5: ENDOWMENTS (Continued)

Changes in Endowment Net Assets

The following schedule shows changes in endowment net assets for the year ended December 31, 2010:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, January 1, 2010	<u>\$ 2,353,641</u>	<u>\$ 33,824</u>	<u>\$ 2,387,465</u>
Investment return			
Investment income, net of expenses	68,110	1,139	69,249
Unrealized gain	<u>284,633</u>	<u>2,536</u>	<u>287,169</u>
Net investment return	<u>352,743</u>	<u>3,675</u>	<u>356,418</u>
Contributions	189,252	0	189,252
Reclassification of endowment accounts with total net asset balances less than original gift	<u>962</u>	<u>(962)</u>	<u>0</u>
Endowment net assets, December 31, 2010	<u>\$ 2,896,598</u>	<u>\$ 36,537</u>	<u>\$ 2,933,135</u>

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FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 5: ENDOWMENTS (Continued)

Changes in Endowment Net Assets (continued)

The following schedule shows changes in endowment net assets for the year ended December 31, 2009:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, January 1, 2009	<u>\$ 1,674,241</u>	<u>\$ 33,824</u>	<u>\$ 1,708,065</u>
Investment return			
Investment income, net of expenses	61,549	823	62,372
Unrealized gain	<u>449,816</u>	<u>6,281</u>	<u>456,097</u>
Net investment return	<u>511,365</u>	<u>7,104</u>	<u>518,469</u>
Contributions	160,931	0	160,931
Reclassification of endowment accounts with total net asset balances less than original gift	<u>7,104</u>	<u>(7,104)</u>	<u>0</u>
Endowment net assets, December 31, 2009	<u>\$ 2,353,641</u>	<u>\$ 33,824</u>	<u>\$ 2,387,465</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$962, as of December 31, 2010 and 2009, respectively. Therefore, \$962 and \$7,104 of the deficiency was restored during the years ended December 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the organization.

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 6: FAIR VALUE MEASUREMENTS

The Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 820 establishes 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 assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Quoted prices for identical assets or liabilities traded in active markets.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The table below presents the level within the hierarchy at which assets are measured at December 31, 2010:

	2010			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Pledges receivable	\$ 44,125	\$ 0	\$ 0	\$ 44,125
Available for sale marketable securities:				
Bond mutual funds	2,484,820	2,484,820	0	0
Equity mutual funds	3,295,007	3,295,007	0	0
Corporate securities	3,268,631	3,268,631	0	0
Real estate investment trusts	7,767	7,767	0	0
Money market funds	86,630	86,630	0	0
Total available for sale marketable securities	7,192,425	7,192,425	0	0
TOTAL	\$ 7,236,550	\$ 7,192,425	\$ 0	\$ 44,125

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 6: FAIR VALUE MEASUREMENTS (Continued)

The table below presents the level within the hierarchy at which assets are measured at December 31, 2009:

	2009			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Pledges receivable	\$ 67,000	\$ 0	\$ 0	\$ 67,000
Available for sale marketable securities:				
Bond mutual funds	1,484,095	1,484,095	0	0
Equity mutual funds	3,863,271	3,863,271	0	0
Money market funds	95,867	95,867	0	0
Total available for sale marketable securities	5,443,233	5,443,233	0	0
	<u>\$ 5,510,233</u>	<u>\$ 5,443,233</u>	<u>\$ 0</u>	<u>\$ 67,000</u>

A summary of changes in the fair value of the organization's Level 3 assets for the year ended December 31, 2010 and 2009 is presented below:

	2010	2009
Pledges receivable		
Balance, beginning of year	\$ 67,000	\$ 0
Additions to pledges receivable	500	90,000
Payments on pledges receivable	(23,375)	(23,000)
Balance, end of year	<u>\$ 44,125</u>	<u>\$ 67,000</u>

Level 1 assets are valued using the market approach; Level 3 assets are valued using the cost approach. Inputs for Level 3 assets are calculated using assumptions about current replacement cost. There were no changes in the valuation techniques during the current year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Operating Leases

The organization leases the following equipment under operating leases that have the following expiration dates:

Copier Konica C252	July 31, 2012
Copier Kyocera KM-5050	July 31, 2012
Postage machine	October 30, 2013
Copier Lanier LD540C	March 11, 2014
Copier Lanier LD525SPF	October 4, 2015
Zoo land and facilities	December 31, 2036

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (continued)

Future minimum lease payments are as follow:

YEAR ENDING DECEMBER 31,	Postage Machine	Copiers	Zoo Land and Facilities	Total
2011	\$ 1,980	\$ 8,145	\$ 1	\$ 10,126
2012	1,980	6,305	1	8,286
2013	1,815	3,730	1	5,546
2014	0	2,247	1	2,248
2015	0	1,460	1	1,461
Thereafter	<u>0</u>	<u>0</u>	<u>21</u>	<u>21</u>
	<u>\$ 5,775</u>	<u>\$ 21,887</u>	<u>\$ 26</u>	<u>\$ 27,688</u>

Lease expense for the years ended December 31, 2010 and 2009, was \$8,666 and \$8,925, respectively.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009, are available for the following purposes:

	2010	2009
Australian bird purchase	\$ 12,221	\$ 12,221
Australian exhibit	65,257	65,257
Bat exhibit	562	562
Benches	4,238	4,238
Grant - amphitheater	11,025	13,025
Haron Jaguar zoo fund	1,080	1,080
Keeper Lounge Restoration	50,000	50,000
Kid zone	6,000	6,000
Lorikeet exhibit	1,850	1,850
Orangutan/tiger exhibit	80,085	88,995
Radin Scholarship Fund	1,000	1,000
Sea Lion	21,885	7,000
Sherman exhibit	274,752	274,752
Valley Dental - Small Wonders	11,436	13,436
Wells Fargo Wednesdays	<u>55,417</u>	<u>0</u>
	<u>\$ 596,808</u>	<u>\$ 539,416</u>

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes:

Education	\$	9,999
Grant - amphitheater		2,000
Orangutan/tiger exhibit		8,910
Safari Night		20,000
Valley Dental - Small Wonders		2,000
Wells Fargo Wednesdays		14,583
	\$	<u>57,492</u>

NOTE 9: UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2010 and 2009, consist of the following:

	2010	2009
Board-designated endowment	\$ 2,896,598	\$ 2,353,641
Undesignated net assets	<u>7,924,552</u>	<u>7,426,314</u>
	<u>\$ 10,821,150</u>	<u>\$ 9,779,955</u>

NOTE 10: MEASURE Z OPERATING FUNDS

In November 2004, the voters of Fresno County approved Measure Z, a transactions and use tax (sales tax) at the rate of 0.1%, proposed by the Fresno County Zoo Authority, to support the Fresno Chaffee Zoo.

The Fresno County tax ordinance allows up to one-third of the tax revenues to be used for operations and maintenance of the Fresno Chaffee Zoo.

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FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 10: MEASURE Z OPERATING FUNDS (Continued)

For the years ended December 31, 2010 and 2009, Measure Z operating funds were used as follows:

	2010	2009
Bank charges	\$ 110	\$ 110
Consultant fees	0	23,156
Legal and accounting	0	64,753
Salaries and wages	2,499,289	2,440,642
Specialized services	0	635,584
Utilities	0	350,000
	<u>\$ 2,499,399</u>	<u>\$ 3,514,245</u>

NOTE 11: MEASURE Z CAPITAL FUNDS

In November 2004, the voters of Fresno County approved Measure Z, a transactions and use tax (sales tax) at the rate of 0.1%, proposed by the Fresno County Zoo Authority, to support the Fresno Chaffee Zoo.

The Fresno County tax ordinance requires a minimum of two-thirds of the funds to be used for capital improvement projects at the Fresno Chaffee Zoo.

For the years ended December 31, 2010 and 2009, Measure Z capital funds were used as follows:

	2010	2009
Architectural services	\$ 701,688	\$ 97,371
Bank charges	50	60
Capital projects	254,843	142,572
Environmental Impact Report	16,342	348,658
Master Plan	12,550	43,513
Pre-engineering design	0	50,404
Stingray Bay	0	100,474
	<u>\$ 985,473</u>	<u>\$ 783,052</u>

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FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 12: MANAGEMENT TRANSITION

The City of Fresno transferred management for the Fresno Chaffee Zoo to the organization during the year ended December 31, 2006. The agreement was effective January 1, 2006 and expires December 31, 2036 with a conditional option to extend the agreement for an additional 25-year period. In the event the conditions for this extension are not met, the organization has an option to extend the initial agreement for ten years with an additional ten-year extension available. The ten year extensions shall be granted at the sole discretion of the Fresno City Council based upon the same terms and conditions of the initial agreement.

City of Fresno Transition Funds

The organization received City of Fresno transition funds totaling \$240,000 and \$480,000, in 2010 and 2009, respectively.

NOTE 13: DONATED MATERIALS AND SERVICES

Donated materials and services for the years ended December 31, 2010 and 2009, were received for the following purposes:

	2010	2009
Breakfast with the Animals	\$ 23,044	\$ 25,041
Dream Night	4,912	7,056
Ice Cream Zoofari	75,125	70,455
Miscellaneous	61,518	9,609
Safari Night	36,224	0
Stingray Bay & Tropical Treasures Opening	0	639
Zoobiliation	730	1,075
Zoo Boo	40,013	46,418
Zoolights	2,835	20,880
	<u>\$ 244,401</u>	<u>\$ 181,173</u>

NOTE 14: PENSION PLAN

The organization has a 401(k) defined contribution plan that covers all employees who have attained age 21 and have completed a year of service. The plan allows eligible employees to defer compensation up to the maximum annual deferral limit. The plan provides an employer match of 100% for the first 3% of the employee contribution and a 50% match for the next 2% of the employee contribution, up to a maximum employer match of 4% of pay.

FRESNO'S CHAFFEE ZOO CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 14: PENSION PLAN (Continued)

The organization may make an additional, discretionary contribution to the plan. The Board of Directors determines each year if such a contribution will be made and, if so, the amount to be contributed. This contribution will be allocated among eligible participants, who have completed 1,000 hours of service, based upon compensation received during the plan year.

The total contribution expense related to the plan, for the years ended December 31, 2010 and 2009, was \$57,086 and \$62,705 respectively. The expense is included in salaries and benefits.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 10, 2011 (date financial statements available to be issued) noting no matters requiring disclosure in the financial statements for the year ended December 31, 2010.



Moore Grider & Company

Certified Public Accountants

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Retired

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Directors
Fresno's Chaffee Zoo Corporation
Fresno, California

We have audited the financial statements of Fresno's Chaffee Zoo Corporation, as of and for the year ended December 31, 2010, and have issued our report thereon dated May 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fresno's Chaffee Zoo Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fresno's Chaffee Zoo Corporation's financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported.

This report is intended solely for the information and use of the audit committee, board of directors, management, and awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Moore Grier & Company

May 10, 2011