Franklin Park Conservatory Joint Recreation District

Financial Statements as of and for the Years Ended December 31, 2009 and 2008, and Independent Auditors' Reports

Mary Taylor, CPA
Auditor of State

Board of Trustees
Franklin Park Conservatory Joint Recreation District
1777 East Broad Street
Columbus, Ohio 43203

We have reviewed the *Independent Auditors' Report* of the Franklin Park Conservatory Joint Recreation District, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Franklin Park Conservatory Joint Recreation District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 29, 2010

This Page is Intentionally Left Blank.

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Franklin Park Conservatory Joint Recreation District:

We have audited the accompanying statements of net assets of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of December 31, 2009 and 2008 and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Conservatory's management. Our responsibility is to express an opinion on the financial statements based on our audits. We did not audit the statements of financial position of the Franklin Park Conservatory Women's Sustaining Board, a discretely presented component unit, as of December 31, 2009 and 2008, and related statements of revenue, expenses, and changes in net assets for the years then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Franklin Park Conservatory Women's Sustaining Board, is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Franklin Park Conservatory Women's Sustaining Board were not audited in accordance with *Government Auditing Standards*, but were audited in accordance with auditing standards generally accepted in the United States of America. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Park Conservatory Joint Recreation District and its discretely presented component unit as of December 31, 2009 and 2008, and their changes in its net assets and their cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2010 on our consideration of the Conservatory's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") section of the Franklin Park Conservatory Joint Recreation District's (the "Conservatory") financial report represents a discussion and analysis of the Conservatory's financial performance during the fiscal years ended December 31, 2009 and 2008. Please read it in conjunction with the Conservatory's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Conservatory accounts for all transactions under a single enterprise fund and the financial statements are prepared using proprietary fund (enterprise fund) accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The Statement of Net Assets presents information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Conservatory is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets reports the operating revenues and expenses and non-operating revenue and expenses of the Conservatory for the fiscal year with the difference being combined with any capital contributions to determine the change in net assets for the fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year's cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

FINANCIAL HIGHLIGHTS

- Combined operating and nonoperating revenues, and capital contributions were $6.7 million in 2009, down from $9.3 million in 2008. This decrease was largely due to a reduction in capital contributions as the Master Plan capital campaign came to a close in 2009.

- Operating revenues were up approximately 16% in 2009, to over $2.8 million, mostly due to admissions and gift shop sales.

- Memberships sold grew to $381,000 in 2009, surpassing budget and the prior year. After accounting for future obligations related to memberships, $329,000 is reported as earned in the 2009 year.

- Over 164,000 patrons visited the Franklin Park Conservatory during 2009. A 34% increase over 2008. Attendance increased in large part due to a return of the Chihuly exhibition.

- Net assets held relatively consistent with 2008, at approximately $19.2 million.

- The $21 million Master Plan Capital Campaign, which began in 2005, was completed in 2009. These funds supported a strategic initiative to improve the sustainability and grandeur of Franklin Park Conservatory and Franklin Park. Two of three major projects in Phase 1 have been completed to date. The first project, the Palm House additions, includes two 5,000 square foot additions to the historic John F. Wolfe Palm House, a Brides Garden and a lighting installation in the Palm House by world-renowned artist James Turrell. The second project, a 7-acre Scotts Miracle-Gro Company Community Garden Campus is a living classroom that includes a Community Garden Center, an Education Pavilion, a live fire cooking theatre and 50 horticultural gardens.

- Early in 2009, the Conservatory implemented a restructuring plan in response to the impact of the economy. The plan realigned the staff structure, and provided operating efficiencies that generated approximately $370,000 in cost savings.

- Over 13,200 hours were donated in 2009 by volunteers, at savings of approximately $268,000 in labor costs.

- The Conservatory's community outreach program, Growing to Green, added twenty new projects in 2009, bringing the total to more than 165 gardens started or rejuvenated since the program's inception.

Financial Position

The following summarizes the Conservatory's financial position as of December 31, 2009, 2008, and 2007:

	2009	2008	2007
ASSETS:			
Current assets	$ 3,352,188	$ 5,845,563	$ 10,889,898
Capital assets	21,970,899	18,636,537	11,989,913
Other noncurrent assets	2,987,392	4,724,236	4,352,494
Total assets	$ 28,310,479	$ 29,206,336	$ 27,232,305
LIABILITIES:			
Current liabilities	$ 2,477,628	$ 3,124,557	$ 2,824,351
Noncurrent liabilities	6,632,040	6,922,474	8,356,826
Total liabilities	9,109,668	10,047,031	11,181,177
NET ASSETS:			
Investment in capital assets, net of related debt	14,923,687	11,802,721	9,021,833
Restricted assets	5,067,296	7,885,196	8,048,885
Unrestricted net assets	(790,172)	(528,612)	(1,019,590)
Total net assets	19,200,811	19,159,305	16,051,128
Total liabilities and net assets	$ 28,310,479	$ 29,206,336	$ 27,232,305

Current Assets—The decrease in current assets for 2009 and 2008 was attributed to the collection of pledges receivable for the Capital Campaign, and use of the bond proceeds and pledge payments received for construction.

Capital Assets—Capital assets increased $4,123,000 during 2009 and $7,173,000 in 2008. $3,910,000 and $6,970,000 in 2009 and 2008 respectively was for Master Plan new construction, which included $1,000,000 for the James Turrell Lighting Project. In addition to the Master Plan, the following items were also capitalized.

- in 2009, installation of the Hot Shop, elevator modernization, and café improvements
- in 2008, installation of the Bending Nature exhibit and improvements to the existing facilities

Depreciation on capital assets was $789,000 for 2009, $ 537,000 for 2008, and $332,000 for 2007.

Noncurrent Assets—Pledges for the Master Plan Capital Campaign expected to be realized more than one year from the balance sheet date were $2,628,000 for 2009, $4,296,000 for 2008 and $3,888,000 for 2007.

Current Liabilities—Current liabilities include $250,000 and $240,000 for principal payments on the bonds due in 2010 and 2009, respectively. Notes payable for 2009 and 2008 includes a $750,000 line of credit, and a $190,000 promissory note. The decrease of approximately $79,000 in Accounts Payable was primarily due to winding down of Phase 1 on the Master Plan.

Long-Term Liabilities—Long-term liabilities include bonds payable which were used to finance the Master Plan. The balances outstanding were $6,610,000, $6,860,000, and $7,100,000 in 2009, 2008 & 2007, respectively.

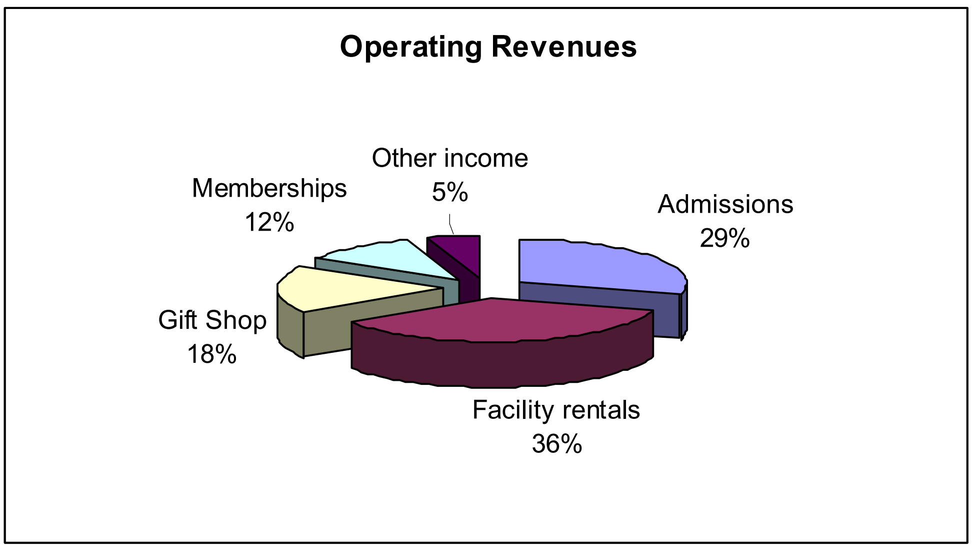
A promissory note to a donor for exhibit acquisition was reduced by $1,000,000 in debt forgiveness in 2008, and by $170,000 in debt payments in 2007.

Net Assets—The largest portion of the Conservatory's net assets each year represents its investment in capital assets, less related debt outstanding used to acquire those capital assets. The Conservatory uses these assets to provide services to its visitors; consequently, these assets are not available for future spending. For 2007, $7,100,000 of bonds to finance the Master Plan construction were issued. Of these proceeds, $453,000 was spent in 2009, $4,866,000 was spent in 2008 and $1,778,000 was spent in 2007.

Financial Results

Revenue

The following chart shows the major sources of operating revenue for the year ended December 31, 2009.



Admissions	$ 830,842
Facility rentals	1,044,985
Gift Shop	498,033
Memberships	329,278
Other income	142,122
	$ 2,845,260

The following schedule presents a summary of revenues and capital contributions for the fiscal years ended December 31, 2009, 2008 and 2007.

	2009	**2008**	**2007**
Operating Revenues:			
Charges for goods and services	$ 2,845,260	$ 2,461,416	$ 2,609,836
Non-operating Revenues:			
City revenue	100,000	352,806	552,680
County revenue	475,000	400,000	400,000
Donations and grants	1,307,732	1,700,636	1,541,506
Investment income	23,939	100,349	166,952
Capital contributions	1,907,569	4,313,706	5,503,543
	$ 6,659,500	$ 9,328,913	$ 10,774,517

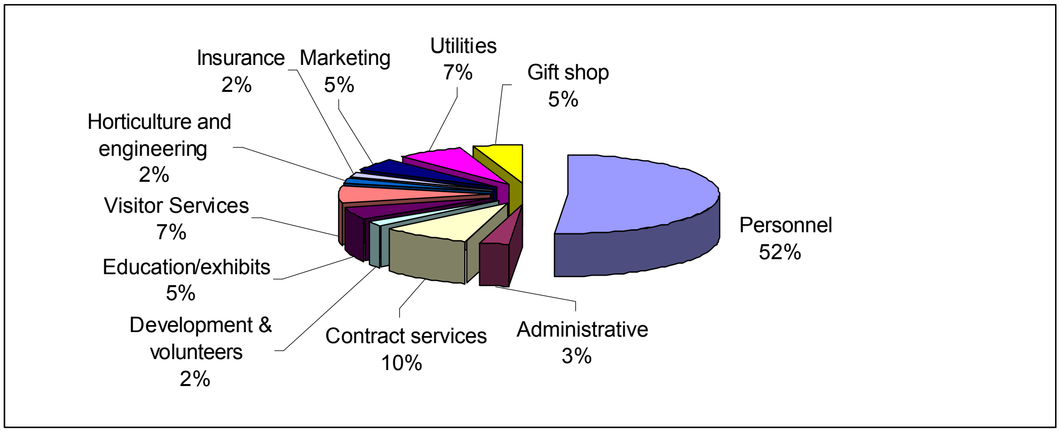
Operating revenues increased $384,000 in 2009 due primarily to a return of the Chihuly exhibition. Operating revenues decreased $148,000 in 2008 mostly due to decreases in admissions and facility rentals, offset by an increase in membership.

Investment income decreased in 2009 and 2008 as the proceeds of collected capital contributions and bond proceeds were expended for construction costs.

Substantially all of the capital contributions represent Capital Campaign gifts for the Master Plan. The campaign was completed in 2009.

Expenses

The following chart shows the major categories of operating expenses for the year ended December 31, 2009.



The following schedule presents a summary of expenses for the fiscal years ended December 31, 2009, 2008 and 2007:

	2009	2008	2007
Personnel	$ 2,759,354	$ 2,833,028	$ 2,202,333
Administrative	157,237	99,484	146,449
Contract services	518,071	206,262	149,645
Development & volunteers	104,303	153,037	128,371
Education/Exhibits	289,212	235,003	335,660
Visitor Services	377,783	481,284	445,329
Horticulture and engineering	102,241	159,471	155,706
Insurance	94,685	92,416	106,983
Marketing	283,742	202,662	251,830
Utilities	383,338	373,349	340,892
Gift shop	286,675	223,815	275,581
Total operating expenses	$ 5,356,641	$ 5,059,811	$ 4,538,779

Personnel expenses decreased in 2009 due to an organizational restructuring, net of cost of living increases, and increased in 2008 due to the full year expense of the Conservatory's Executive Director, versus ten months in 2007. Also in 2008, six fulltime positions were added and cost of living increases were given.

Contract services increased in 2009, due to consulting work related to the restructuring and a shared services management agreement.

Visitor services decreased in 2009 due to the full use of expanded facilities which replaced temporary rented facilities and related equipment.

Marketing expenses increased in 2009 related to the Chihuly exhibition and the marketing of other Conservatory events. In 2008, marketing costs decreased due to a more efficient use of marketing dollars, shifting from traditional marketing methods to more e-commerce.

Gift shop expenses are predominately composed of cost of goods sold. 2009 cost of goods sold decreased to 58% of sales due to availability for sale of artwork created in the Hot Shop. 2008 cost of goods sold percentage of sales remained fairly consistent with 2007.

Master plan expenses represent non-capitalizable soft costs related to the project. Because these expenses are directly related to the Master Plan Capital project and are not part of the ongoing operations of the facilities, they are not included in operating expenses.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2009 and 2008

		2009	2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$	425,536	217,441
Restricted cash and cash equivalents		779,628	3,328,349
Investments		4,968	7,048
Receivables		1,826,550	2,016,247
Prepaids		198,710	129,238
Inventory		116,796	147,240
Total current assets		3,352,188	5,845,563
NONCURRENT ASSETS:			
Non-depreciable capital assets		3,592,850	5,500,120
Depreciable capital assets		24,132,303	18,101,822
Accumulated depreciation		(5,754,254)	(4,965,405)
Total capital assets—net of accumulated depreciation		21,970,899	18,636,537
Non-current receivables		2,816,837	4,577,915
Other noncurrent assets		170,555	146,321
Total noncurrent assets		24,958,291	23,360,773
TOTAL		28,310,479	29,206,336
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		617,793	1,408,272
Deferred revenue		316,517	178,325
Customer deposits		151,374	133,620
Accrued expenses		201,944	224,340
Note payable		940,000	940,000
Bonds payable		250,000	240,000
Total current liabilities		2,477,628	3,124,557
NONCURRENT LIABILITIES			
Bonds payable		6,610,000	6,860,000
Accrued vacation and sick		22,040	62,474
Total noncurrent liabilities		6,632,040	6,922,474
Total liabilities		9,109,668	10,047,031
NET ASSETS:			
Invested in capital assets—net of related debt		14,923,687	11,802,721
Restricted net assets:			
Columbus Foundation		165,722	159,554
Capital projects		4,813,771	7,626,764
Endowments		87,803	98,878
Total restricted net assets		5,067,296	7,885,196
Unrestricted net assets (deficiency)		(790,172)	(528,612)
Total net assets		19,200,811	19,159,305
TOTAL	$	28,310,479	29,206,336

See accompanying notes to the basic financial statements.

FRANKLIN PARK CONSERVATORY
WOMEN'S SUSTAINING BOARD

STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
AS OF DECEMBER 31, 2009 AND 2008

		2009	2008
ASSETS			
CURRENT ASSETS:			
Cash	$	41,818	29,308
Accounts receivable		14,250	11,700
Prepaid expenses		600	2,083
TOTAL		56,668	43,091
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable		-	30,995
Accounts payable - Franklin Park Conservatory		35,801	5,091
Accrued deposits		5,200	-
TOTAL		41,001	36,086
NET ASSETS—Unrestricted net assets		15,667	7,005
Total net assets		15,667	7,005
TOTAL	$	56,668	43,091

See accompanying notes to the basic financial statements.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

		2009	2008
OPERATING REVENUES—Charges for goods and services	$	2,845,260	2,461,416
OPERATING EXPENSES:			
Personnel		2,759,354	2,833,028
Administrative		157,237	99,484
Contract services		518,071	206,262
Development & volunteers		104,303	153,037
Education/exhibits		289,212	235,003
Visitor Services		377,783	481,284
Horticulture and engineering		102,241	159,471
Insurance		94,685	92,416
Marketing		283,742	202,662
Utilities		383,338	373,349
Gift shop		286,675	223,815
Total operating expenses		5,356,641	5,059,811
OPERATING LOSS BEFORE DEPRECIATION		(2,511,381)	(2,598,395)
DEPRECIATION		788,849	537,109
OPERATING LOSS		(3,300,230)	(3,135,504)
NONOPERATING REVENUE (EXPENSES):			
Intergovernmental:			
City		100,000	352,806
County		475,000	400,000
Donations and grants		1,307,732	1,700,636
Investment income		23,939	100,349
Master Plan expense		(487,579)	(568,162)
Interest expense		(142,772)	(55,654)
Total nonoperating revenue (expenses)		1,276,320	1,929,975
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND EXTRAORDINARY ITEM		(2,023,910)	(1,205,529)
CAPITAL CONTRIBUTIONS		1,907,569	4,313,706
EXTRAORDINARY ITEM - Insurance recovery		157,847	-
CHANGE IN NET ASSETS		41,506	3,108,177
NET ASSETS—Beginning of year		19,159,305	16,051,128
NET ASSETS—End of year	$	19,200,811	19,159,305

See accompanying notes to the basic financial statements.

FRANKLIN PARK CONSERVATORY
WOMEN'S SUSTAINING BOARD

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNIT
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

		2009	2008
REVENUE AND SUPPORT:			
Fundraising event	$	364,177	232,643
Member dues:			
Active		6,335	5,370
Sustainer		12,415	11,071
Contributions		9,250	935
Other		10,715	7,550
Member event		29,688	26,704
Interest		71	51
Total revenue and support		432,651	284,324
OPERATING EXPENSES:			
Donations to Franklin Park Conservatory		200,414	133,500
Fundraising event		175,913	101,506
Dues		11,970	13,350
Member event		28,716	22,664
Audit fees		3,100	2,956
Uncollectible receivables		-	2,000
Miscellaneous		3,876	4,487
Total operating expenses		423,989	280,463
CHANGES IN NET ASSETS		8,662	3,861
NET ASSETS:			
Beginning of year		7,005	3,144
End of year	$	15,667	7,005

See accompanying notes to the basic financial statements.

FRANKLIN PARK CONSERVATORY
JOINT RECREATION DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

		2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$	2,996,328	2,542,766
Cash paid to employees		(2,812,351)	(2,796,498)
Cash paid to others		(2,880,576)	(1,957,063)
Net cash used in operating activities		(2,696,599)	(2,210,795)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from governmental entities		575,000	752,806
Cash received from donations and grants		1,309,812	693,588
Cash paid on noncapital Master Plan expenses		(487,579)	(568,162)
Cash provided by noncapital financing activities		1,397,233	878,232
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of property, plant, and equipment		(4,693,664)	(7,560,731)
Cash received from insurance agencies		157,847	-
Cash paid on bonds		(240,000)	-
Contributed capital		3,863,222	5,043,648
Interest		(152,604)	(48,693)
Net cash used in capital and related financing activities		(1,065,199)	(2,565,776)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received on cash and investments		23,939	100,349
Net proceeds from sale of investments		-	3,970
Net cash provided by investing activities		23,939	104,319
NET CHANGE IN CASH AND CASH EQUIVALENTS		(2,340,626)	(3,794,020)
CASH AND CASH EQUIVALENTS—Beginning of year		3,545,790	7,339,810
CASH AND CASH EQUIVALENTS—End of year (including restricted cash of $779,628 and $3,328,349)	$	1,205,164	3,545,790
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating loss		(3,300,230)	(3,135,504)
Adjustments to reconcile loss from operations to net cash used in operating activities:			
Depreciation		788,849	537,109
Loss on fixed asset disposal		-	18,783
(Increase) decrease in assets:			
Accounts receivable		(4,878)	143,560
Prepaids		(69,472)	(6,108)
Inventory and other assets		6,210	14,257
Increase (decrease) in liabilities:			
Accounts payable		(220,026)	244,267
Deferred revenue		138,192	(43,530)
Customer deposits		17,754	(17,490)
Accrued expenses		(52,998)	33,861
NET CASH USED IN OPERATING ACTIVITIES	$	(2,696,599)	(2,210,795)

Non-cash items: Purchase of capital assets included in accounts payable of $223,610 and $794,063, in 2009 and 2008, respectively. Contributed investments of $4,968 and $7,048, in 2009 and 2008, respectively. Promissory note forgiveness of $1,000,000 in 2008.

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City of Columbus (the "City") and Franklin County (the "County") agreed in 1990 to establish the Conservatory pursuant to the authority contained in Section 755.14 (B) of the Ohio Revised Code ("ORC") upon the conclusion of Ameriflora 1992, Inc.'s horticulture exposition held at Franklin Park Conservatory. In April 2007, the City and County entered into an amended and restated agreement regarding the Conservatory, pursuant to the authority contained in Section 755.14 (C) of the ORC. The new agreement allows the Conservatory to exist until July 31, 2057. However, the City and County may renew and extend the agreement for additional successive terms of 50 years, with the title to the Conservatory's assets reverting back to the City at the end of the agreement.

The Conservatory is governed by a 21-member board, eight of whom shall be appointed by the City of Columbus' Mayor subject to confirmation by the City Council and six appointed by Franklin County. The Governor, the Speaker of the House of Representatives, and the President of the Senate of the State of Ohio shall each appoint one member to the Conservatory board. State appointed members are non-voting members if they also serve as members of the Ohio General Assembly; no member presently serves both roles. Four members of the board are appointed by a majority of the existing board members.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Conservatory is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the Conservatory's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Conservatory. On that basis, the reporting entity of the Conservatory includes the Friends of the Conservatory as a blended component unit.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, as amendment of GASB Statement No. 14* ("GASB 39") and implemented by the Conservatory effective January 1, 2004, further clarifies that certain organizations warrant an inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including ongoing financial support of the primary government. The Conservatory has determined that the Franklin Park Conservatory Women's Sustaining Board meets this definition and is therefore included as a discretely presented component unit in the Conservatory's financial statements.

Friends of the Conservatory—In July 1999, the Conservatory created Friends of the Conservatory ("Friends"), a separate legal not-for-profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. Although it is legally separate from the Franklin Park Conservatory, Friends of the Conservatory is reported as if it were part of the primary government because its sole purpose is to promote the Conservatory and raise capital and solicit funds in support of the Conservatory.

Franklin Park Conservatory Women's Sustaining Board—In 1984, the Franklin Park Conservatory Women's Sustaining Board (the "Women's Board"), was organized to create awareness of the Conservatory, to provide support to the Conservatory and to broaden the base of support in the community for the Conservatory. The Women's Board is a legally separate not-for-profit organization in accordance with section 501(c)(3) of the Internal Revenue Code, and its financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board Statements and Interpretations. The Women's Board is considered a discretely presented component unit of the Conservatory under GASB 39.

WOW! Collaborative—In 2002, Franklin Park Conservatory became a member of the WOW! Collaborative, five conservatories and botanical gardens joined together to create traveling exhibits.

Joint Venture—The arrangement between the City and the County establishing the Conservatory possesses the characteristics of an entity classified as a joint venture. The City contributed certain fixed assets to the Conservatory at the time of its inception and both the City and County have historically agreed to annual subsidies. In 2009, the subsidies included $775,000, including $200,000 which has been recorded as a capital contribution from the City. In 2008, the subsidies included $1,469,606, including $216,800 and $500,000 which has been recorded as a capital contribution from the City and County, respectively. This represents 11% and 16% of the Conservatory's 2009 and 2008 revenue and capital contributions, respectively. In the event of the Conservatory's liquidation, its assets will be transferred to the City. Based on the above, the Conservatory is a joint venture between the City and the County. Future capabilities of the Conservatory to operate at current service levels are dependent upon annual subsidiaries from the City and the County.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenues from charges for services are reported as operating revenues. Transactions, which are capital, financing, or investment related, are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies, and other miscellaneous expenses are reported as operating expense.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Conservatory follows GASB guidance as applicable to proprietary funds and FASB guidance issued on or before November 30, 1989, that do not conflict or contradict GASB pronouncements. The Conservatory has elected not to follow subsequent FASB guidance.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Conservatory considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents consist of cash and cash equivalents restricted for endowments, donor restrictions, and customer deposits.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. The Conservatory records all its investments at fair value, as required by Statement.

Inventory

All inventories are valued at cost using the average cost method.

Plant Collection

The Conservatory does not capitalize their plants. They are expensed as purchased. The plant collection is held for public exhibition and education, is protected, kept unencumbered, cared for, and preserved and is subject to a Conservatory policy that requires proceeds from sales of the plant collection be used to acquire other plant collections.

Capital Assets

Capital assets, which include property, plant and equipment, are capitalized at cost or estimated historical cost where no historical records exist. The Conservatory defines capital assets as those with an individual cost of more than $2,500. The Conservatory does not possess any infrastructure such as roads. Depreciation has been provided, where appropriate, using the straight-line method over useful lives ranging from 3 to 30 years.

Compensated Absences

The Conservatory follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for vacation and sick leave if it is probable that the employee will be compensated through a cash payment.

Budgetary Accounting and Control

The Conservatory's annual budget is prepared on the accrual basis of accounting and approved by the Board of Directors. The budget includes anticipated amounts for current year revenues and expenses as well as new capital projects. The Conservatory maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. The Board is apprised bi-monthly of actual results compared to budget. All budget amounts lapse at year end.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform with the 2009 presentation.

2. CASH AND INVESTMENTS

The investment and deposit of the Conservatory's monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, the Conservatory is authorized to invest in United States and State of Ohio bonds, notes and other obligations, bank certificates of deposit, banker acceptances, commercial paper notes rated prime and issued by United States corporations, repurchase agreements secured by United States obligations, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price at which the investment could be redeemed.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits with Financial Institutions – At December 31, 2009 and 2008, the carrying amount of the Conservatory's deposits with financial institutions were $1,151,050 and $532,133, respectively, and the total bank balances were $1,149,407 and $838,554, respectively, with the differences being due to deposits in transit and outstanding checks. Custodial credit risk is the risk that in the event of a bank failure, the Conservatory's deposits may not be returned to it. Of the bank balances at December 31, 2009 and 2008, $587,803 and $575,720, respectively were covered by deposit insurance provided by FDIC, and $561,604 and $262,834, respectively was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Conservatory's name.

As of December 31, 2009 and 2008, the Conservatory has petty cash on hand of $10,445 and $7,345, respectively.

STAROhio – The Conservatory's investment in STAROhio is not evidenced by securities that exist in physical or book entry form. Investments in STAROhio were rated AAAm by Standard & Poor's. The Conservatory's investment balance with STAROhio was $43,668 and $2,722,404 at December 31, 2009 and 2008, respectively.

The Conservatory held shares of common stock that were gifted to the Conservatory in December 2009 and 2008. These shares with fair market values of $4,968 and $7,048 at December 31, 2009 and 2008, respectively, were sold in February 2010 and January 2009, respectively.

In 2008, the Conservatory had $283,908 in trustee money market accounts for contractor retainage.

3. CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2009 and 2008 were as follows:

	Balance 12/31/08	Additions	Disposals	Balance 12/31/09
Nondepreciable:				
Land	$ 100,000	-	-	100,000
Art collections	3,492,850	-	-	3,492,850
Construction in progress	1,907,270	3,910,184	(5,817,454)	-
Subtotal	5,500,120	3,910,184	(5,817,454)	3,592,850
Depreciable:				
Buildings	13,665,102	4,463,846	-	18,128,948
Building improvements	3,621,471	1,310,218	-	4,931,689
Equipment and fixtures	762,159	256,417	-	1,018,576
Vehicles	53,090	-	-	53,090
Subtotal	18,101,822	6,030,481	-	24,132,303
Totals at historical cost	23,601,942	9,940,665	(5,817,454)	27,725,153
Less accumulated depreciation:				
Buildings	3,950,729	529,940	-	4,480,669
Building improvements	553,214	189,445	-	742,659
Equipment and fixtures	409,694	68,143	-	477,837
Vehicles	51,768	1,321	-	53,089
Total accumulated depreciation	4,965,405	788,849	-	5,754,254
Capital assets, net	$ 18,636,537	9,151,816	(5,817,454)	21,970,899

		Balance 12/31/07	Additions	Disposals	Balance 12/31/08
Nondepreciable:					
Land	$	100,000	-	-	100,000
Art collections		3,491,450	31,400	(30,000)	3,492,850
Construction in progress		4,341,103	6,969,583	(9,403,416)	1,907,270
Subtotal		7,932,553	7,000,983	(9,433,416)	5,500,120
Depreciable:					
Buildings		6,980,580	6,684,522	-	13,665,102
Building improvements		967,314	2,654,157	-	3,621,471
Equipment and fixtures		484,672	277,487	-	762,159
Vehicles		64,307	-	(11,217)	53,090
Subtotal		8,496,873	9,616,166	(11,217)	18,101,822
Totals at historical cost		16,429,426	16,617,149	(9,444,633)	23,601,942
Less accumulated depreciation:					
Buildings		3,606,634	344,095	-	3,950,729
Building improvements		407,446	145,768	-	553,214
Equipment and fixtures		365,089	44,605	-	409,694
Vehicles		60,344	2,641	(11,217)	51,768
Total accumulated depreciation		4,439,513	537,109	(11,217)	4,965,405
Capital assets, net	$	11,989,913	16,080,040	(9,433,416)	18,636,537

4. PENSION PLANS

All conservatory employees are required to participate in the statewide Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. The 2009 and 2008 member contribution rates were 10% for members in state and local classifications. The 2009 and 2008 employer contribution rate for state and local employers was 14% of covered payroll. Total contributions paid by the Conservatory were approximately $354,000, $365,000, and $355,000, in 2009, 2008, and 2007, respectively, which were equal to the required contributions each year.

5. POSTEMPLOYMENT BENEFITS

Plan Description

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employers. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of the Conservatory's contribution used to fund OPEB was approximately $148,000, $182,000 and $140,000 for 2009, 2008 and 2007, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increase on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

6. NOTES PAYABLE

Friends has a revolving credit agreement of $750,000 with Fifth Third Bank for operations. The line matured on May 30, 2009 and with interest payable at LIBOR plus 4%, due monthly when the lines have been drawn. These borrowings are collateralized by all personal property.

During 2009, Friends renewed its revolving credit agreement of $750,000 with essentially the same terms as above. The line matures on July 5, 2010 and bears interest at LIBOR plus 5%. The outstanding balance at December 31, 2009 and 2008 was $750,000.

7. LONG-TERM OBLIGATIONS

Detail of the changes in bonds, notes and compensated absences of the Conservatory for the years ended December 31, 2009 and 2008, were as follows:

	Balance 12/31/08	Issued	Retired	Balance 12/31/09	Amount Due Within One Year
Variable-rate tax free bonds	$ 7,100,000	-	(240,000)	6,860,000	250,000
0.0% Promissory note	190,000	-	-	190,000	190,000
Compensated absences	80,835	13,310	(48,650)	45,495	23,455
	$ 7,370,835	13,310	(288,650)	7,095,495	463,455

	Balance 12/31/07	Issued	Retired	Balance 12/31/08	Due Within One Year
Variable-rate tax free bonds	$ 7,100,000	-	-	7,100,000	240,000
0.0% Promissory note	1,190,000	-	(1,000,000)	190,000	190,000
Compensated absences	85,187	14,009	(18,361)	80,835	18,361
	$ 8,375,187	14,009	(1,018,361)	7,370,835	448,361

Bonds – During 2007, the Conservatory issued $7,100,000 of variable-rate tax-free bonds, through the Columbus-Franklin County Finance Authority. The proceeds of this issue are used for construction of new facilities. The bonds are secured by a letter of credit issued by a bank, and are redeemable prior to maturity at the option of the Conservatory. The Conservatory subsequently entered into interest rate swap agreements for $4,800,000 of the outstanding bonds. By entering into the interest rate swaps, the Conservatory agreed to receive interest at a variable rate and pay interest at a fixed rate. The weighted average fixed rate for the bonds subject to the swaps is 3.89% at December 31, 2009, increasing to 3.98% by 2014, as the swap agreements expire. The interest rate on the $2,060,000 of outstanding bonds not subject to the swaps was 0.75% at December 31, 2009 and 2.87% at December 31, 2008. Future maturities for the bonds, plus interest at the maximum rate of 10%, are as follows:

		Principal	Interest
2010		250,000	679,750
2011		265,000	654,500
2012		275,000	627,750
2013		295,000	599,750
2014		305,000	570,000
2015-2019		1,790,000	2,350,500
2020-2024		2,295,000	1,347,250
2025-2027		1,385,000	211,000
Total	$	6,860,000	7,040,500

Promissory Note – During 2005, Friends obtained a promissory note for $1,835,000 from a donor. The note automatically matured in December 2009. During 2008, the Conservatory received $1,000,000 in loan forgiveness, reducing the outstanding balance at December 31, 2008 to $190,000. During 2009, the Conservatory received an extension for final payment due December 2010. The outstanding balance at December 31, 2009 was $190,000.

8. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Conservatory at December 31, 2009 and 2008.

9. RISK MANAGEMENT

The Conservatory maintains comprehensive insurance coverage with private carriers for real property, building contents, directors and officers' liability insurance and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, the Conservatory provides medical benefits to most of its employees on a fully insured basis with an independent insurance company. The premium rate is calculated based on claim history and administrative costs. The Conservatory is part of the state-wide plan for workers' compensation insurance coverage. There were no changes to the above policies during the current fiscal year. Claims experience over the past three years indicates that there were no instances of losses exceeding insurance coverage.

10. RESTRICTED NET ASSETS

In 1996, the Women's Sustaining Board created an Endowment Fund (the "Fund") for the Conservatory at the Columbus Foundation, an Ohio not-for-profit corporation. As of December 31, 2009 and 2008, the Fund has assets, recorded in other noncurrent assets, with a fair value of $165,722 and $159,554, respectively. The Fund is included in the Conservatory's financial statements.

In July 1999, the Conservatory created Friends of the Conservatory ("Friends"), a separate legal not-for-profit corporation, in accordance with section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. During 2005, Friends began raising support for the Conservatory's Master Plan. The Master Plan is a comprehensive strategic plan to promote programmatic and financial goals of the Conservatory. The support is donor restricted for use on the Master Plan. As of December 31, 2009 and 2008, net assets of $4,813,771 and $7,626,764, respectively, were restricted for this purpose.

In 2001, Annie's Fund for the Creative Arts created an Endowment Fund for the Conservatory in the form of a collection of Koi (Japanese carp) fish. All donations received for the endowment fund are reserved and, the interest is restricted for the care and support of these fish and their environment. At December 31, 2009 and 2008, the endowment was valued at $56,353 and $55,929, respectively.

In December 2002, the Master Plan Gateway Fund was established for gateway development in Franklin Park. All donations received for the fund will be used to build gateways in Franklin Park. At December 31, 2008 the fund was valued at $11,577. All funds were expended in 2009.

In September 2006, the Growing to Green Endowment was established to support the annual program operations of the Conservatory's Growing to Green Program. At December 31, 2009 and 2008, the fund was valued at $31,450 and $31,372, respectively.

11. FRANKLIN PARK CONSERVATORY WOMEN'S SUSTAINING BOARD

Revenue Recognition – All contributions are considered to be available for unrestricted use unless restricted by the donor for specific purpose. Contributions received with donor-imposed restrictions are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If a restriction in fulfilled in the same time period in which the contribution is received, the Women's Board reports the support as restricted with a corresponding release in restriction.

Net Assets – As of December 31, 2009 and 2008, the Women's Board had unrestricted net assets only.

Financial Statement Presentation – The Women's Board is required to disclose, on a functional basis, costs associated with each program. Substantially all of the expenses incurred by the Women's Board relate specifically to the Women's Board primary program, to provide donations in support of services to meet the needs of the Conservatory. Any expenses incurred which do not directly relate to this program are deemed immaterial for financial statement purposes and therefore, are not shown separately.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of the
Franklin Park Conservatory Joint Recreation District:

We have audited the financial statements of the Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated April 19, 2010, which included a reference to other auditors who audited the financial statements of Franklin Park Conservatory Women's Sustaining Board, a discretely presented component unit of the Conservatory. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Conservatory's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservatory's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservatory'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 in 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the Conservatory'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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Conservatory in a separate letter dated April 19, 2010.

This report is intended solely for the information and use of management, the Board of Trustees, the Ohio Auditor of State and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 19, 2010

Mary Taylor, CPA
Auditor of State

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 11, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us