

# **MINNESOTA ZOO FOUNDATION**

Apple Valley, Minnesota

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2019 and 2018

# MINNESOTA ZOO FOUNDATION

## TABLE OF CONTENTS

---

Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 20

## Independent Auditors' Report

To the Board of Trustees  
Minnesota Zoo Foundation  
Apple Valley, Minnesota

We have audited the accompanying financial statements of Minnesota Zoo Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
January 24, 2020

**MINNESOTA ZOO FOUNDATION**

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2019 and 2018

<b>ASSETS</b>	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,586,731	\$ 1,569,716
Contributions receivable, net	2,805,592	416,006
Prepaid expenses and other	21,575	16,767
Total Current Assets	5,413,898	2,002,489
<b>NON CURRENT ASSETS</b>		
Contributions receivable, net	4,835,367	584,766
Investments	2,029,070	1,810,699
Beneficial interest in perpetual trust	1,332,776	1,318,385
<b>TOTAL ASSETS</b>	<b>\$ 13,611,111</b>	<b>\$ 5,716,339</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 362,288	\$ 144,493
Accrued vacation and other liabilities	50,343	41,267
Total Current Liabilities	412,631	185,760
<b>NON CURRENT LIABILITIES</b>		
Charitable gift annuity	50,051	50,299
Total Liabilities	462,682	236,059
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	665,798	806,349
Board designated	250,000	250,000
Total without donor restrictions	915,798	1,056,349
With donor restrictions		
	12,232,631	4,423,931
Total Net Assets	13,148,429	5,480,280
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,611,111</b>	<b>\$ 5,716,339</b>

See accompanying notes to financial statements.

**MINNESOTA ZOO FOUNDATION**

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019  
(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 1,769,005	\$ 8,647,276	\$ 10,416,281	\$ 3,383,248
Bequests	4,067	-	4,067	-
In-kind contributions	102,926	-	102,926	105,828
Special events, net of donor benefit of \$363,667 and \$118,075 for 2019 and 2018, respectively	204,680	337,936	542,616	565,042
Investment return	31,883	135,226	167,109	161,999
Change in beneficial interest in perpetual trust	-	14,391	14,391	(21,655)
Miscellaneous income	3,800	-	3,800	-
Net assets released from restrictions				
Satisfaction of capital restrictions	676,978	(676,978)	-	-
Satisfaction of program restrictions	649,151	(649,151)	-	-
Total Support and Revenue	3,442,490	7,808,700	11,251,190	4,194,462
<b>EXPENSE</b>				
Program services	1,946,807	-	1,946,807	2,871,837
Support services				
Management and general	1,069,121	-	1,069,121	844,899
Fundraising	567,113	-	567,113	550,344
Total support services	1,636,234	-	1,636,234	1,395,243
Total Expense	3,583,041	-	3,583,041	4,267,080
<b>CHANGE IN NET ASSETS</b>	(140,551)	7,808,700	7,668,149	(72,618)
Net Assets - Beginning of Year	1,056,349	4,423,931	5,480,280	5,552,898
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 915,798</u>	<u>\$ 12,232,631</u>	<u>\$ 13,148,429</u>	<u>\$ 5,480,280</u>

See accompanying notes to financial statements.

**MINNESOTA ZOO FOUNDATION**

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 1,657,958	\$ 1,725,290	\$ 3,383,248
In-kind contributions	105,828	-	105,828
Special events, net of donor benefit of \$118,075	565,042	-	565,042
Investment return	11,241	150,758	161,999
Change in beneficial interest in trust	-	(21,655)	(21,655)
Net assets released from restrictions			
Satisfaction of capital restrictions	64,722	(64,722)	-
Satisfaction of program restrictions	2,098,169	(2,098,169)	-
Satisfaction of time restrictions	40,625	(40,625)	-
Total Support and Revenue	<u>4,543,585</u>	<u>(349,123)</u>	<u>4,194,462</u>
<b>EXPENSE</b>			
Program services	2,871,837	-	2,871,837
Support services			
Management and general	844,899	-	844,899
Fundraising	550,344	-	550,344
Total support services	<u>1,395,243</u>	<u>-</u>	<u>1,395,243</u>
Total Expense	<u>4,267,080</u>	<u>-</u>	<u>4,267,080</u>
<b>CHANGE IN NET ASSETS</b>	276,505	(349,123)	(72,618)
Net Assets - Beginning of Year	<u>779,844</u>	<u>4,773,054</u>	<u>5,552,898</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,056,349</u>	<u>\$ 4,423,931</u>	<u>\$ 5,480,280</u>

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	2019					2018				
	Total Program Services	Support Services			Total Expenses	Total Program Services	Support Services			Total Expenses
		Management and General	Fundraising	Total Support Services			Management and General	Fundraising	Total Support Services	
Zoo Program distributions - without donor restrictions	\$ 183,150	\$ -	\$ -	\$ -	\$ 183,150	\$ 173,034	\$ -	\$ -	\$ -	\$ 173,034
Zoo Program distributions - with donor restrictions	937,842	-	-	-	937,842	1,685,511	-	-	-	1,685,511
Non-Zoo distributions	371,778	-	-	-	371,778	472,777	-	-	-	472,777
Personnel costs	208,505	860,871	215,314	1,076,185	1,284,690	169,304	699,019	174,833	873,852	1,043,156
Other grants	81,883	-	-	-	81,883	112,718	-	-	-	112,718
Contract and professional services	86,238	61,998	209,196	271,194	357,432	111,100	45,463	104,389	149,852	260,952
Supplies, printing and postage	12,914	16,534	72,048	88,582	101,496	74,218	11,765	64,225	75,990	150,208
Special events	47,231	12,651	-	12,651	59,882	50,390	-	163,461	163,461	213,851
Rent	3,234	13,352	3,340	16,692	19,926	3,234	13,352	3,340	16,692	19,926
Miscellaneous	4,723	59,753	14,455	74,208	78,931	10,947	33,094	11,021	44,115	55,062
Donor cultivation and recognition	4,710	2,289	31,321	33,610	38,320	4,891	3,044	9,363	12,407	17,298
Bank and merchant fees	-	20,038	16,587	36,625	36,625	-	21,159	15,681	36,840	36,840
Dues and subscriptions	1,133	4,677	1,170	5,847	6,980	1,108	4,575	1,144	5,719	6,827
Travel	3,466	14,283	3,682	17,965	21,431	2,605	10,753	2,887	13,640	16,245
Change in actuarial value of gift annuities	-	2,675	-	2,675	2,675	-	2,675	-	2,675	2,675
<b>Total Expenses</b>	<b>\$ 1,946,807</b>	<b>\$ 1,069,121</b>	<b>\$ 567,113</b>	<b>\$ 1,636,234</b>	<b>\$ 3,583,041</b>	<b>\$ 2,871,837</b>	<b>\$ 844,899</b>	<b>\$ 550,344</b>	<b>\$ 1,395,243</b>	<b>\$ 4,267,080</b>

See accompanying notes to financial statements.

**MINNESOTA ZOO FOUNDATION**

STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,668,149	\$ (72,618)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term investment	(10,489)	(59,671)
Realized and unrealized gains on investments	(83,788)	(58,436)
Change in beneficial interest in perpetual trust	(14,391)	21,655
Allowance for uncollectible contributions receivable	40,700	(1,400)
Contributions receivable discount	137,700	15,600
Amortization of charitable gift annuity	2,675	2,675
Change in:		
Contributions receivable	(6,818,587)	617,639
Prepaid expenses and other	(4,808)	(2,045)
Accounts payable	217,795	79,277
Accrued vacation and other liabilities	9,076	(9,792)
Net Cash Flows From Operating Activities	1,144,032	532,884
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(227,498)	(280,805)
Sale of investments	92,915	129,915
Net Cash Flows From Investing Activities	(134,583)	(150,890)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from charitable gift annuity	4,388	-
Charitable gift annuity payments	(7,311)	(7,309)
Contributions received restricted for long-term investment	10,489	59,671
Net Cash Flows From Financing Activities	7,566	52,362
<b>Net Change in Cash and Cash Equivalents</b>	1,017,015	434,356
CASH AND CASH EQUIVALENTS - Beginning of Year	1,569,716	1,135,360
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,586,731</b>	<b>\$ 1,569,716</b>

See accompanying notes to financial statements.



# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### **NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

The primary purpose of Minnesota Zoo Foundation (the "Foundation") is to raise funds for the Minnesota Zoological Garden and related conservation organizations.

The Foundation solicits contributions which are administered by the Foundation's Board of Trustees - the entity responsible for the distribution of funds to accomplish the objectives identified.

#### ***Basis of Accounting***

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

#### ***Net Asset Classifications***

In order to observe the limitation and restrictions placed on resources available to Minnesota Zoo Foundation, the accounts are classified for accounting and reporting purposes into net asset groupings established according to their nature and purpose. A description of the groupings is as follows:

***Without Donor Restrictions*** - Net assets not subject to donor-imposed stipulations.

***With Donor Restrictions*** - Net assets subject to donor-imposed stipulations that will be met by action of the Foundation and/or the passage of time or maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

#### ***Board Designated Net Assets***

The Foundation's Board of Trustees has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Trustees at any time. Board designated net assets at both June 30, 2019 and 2018 are \$250,000 and are for general operating reserves.

#### ***Cash Equivalents***

The Foundation considers all highly liquid investments, except for those held for long-term investment, with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents are concentrated in a limited number of financial institutions and amounts in excess of federally insured limits and similar coverages are subject to the usual risks of balances in excess of those limits.

#### ***Investments***

Investments consist of short-term money market accounts and debt and equity mutual funds and are recorded at fair value.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

---

#### ***Revenues and Support***

Contributions are recorded as revenue when an unconditional promise to give is received from a donor. The Foundation reports gifts of cash and other assets as additions to net assets with donor restrictions if they are received with donor stipulations that limit the use of the donations.

Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenues of the net assets with donor restrictions class, and a release to net assets without donor restrictions is made to reflect the expiration of such restrictions.

#### ***Allowance for Uncollectible Contributions Receivable***

Bad debts are provided for on the reserve method based on historical experience and management's evaluation of outstanding contributions receivable at the end of each year.

#### ***Tax-Exempt Status***

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Foundation has been classified as a publicly supported charitable organization under Section 509(A)(1) of the Code and charitable contributions are deductible by donors.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of June 30, 2019 and 2018. The Foundation's tax returns are subject to review and examination by federal and state authorities.

#### ***Beneficial Interest in Perpetual Trust***

The Foundation is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the Foundation. The Foundation has an irrevocable right to a 10% interest in the net income of the trust. The Foundation's interest in the trust is recorded at fair value and is classified as net assets with donor restrictions. Distributions received from the trust are recorded as investment income with donor restrictions for education, until appropriated to operations. The change in market value is recorded as net assets with donor restrictions in the statement of activities.

#### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses such as personnel costs, supplies, postage, rent and travel have been allocated among the programs and services benefitted. Allocations are made largely based on actual time allocations prepared by the Foundation's employees.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### **NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

---

#### ***New Accounting Pronouncement Adopted in Current Year***

In fiscal year 2019, the Foundation adopted the FASB's ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, with certain transition provisions.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed net assets without donor restrictions
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions
- Disclosure added related to the liquidity and availability of financial resources at June 30, 2019 (Note 2)
- Expanded policy disclosure related to natural and functional classifications of expenses (Note 1)

#### ***New Accounting Pronouncement Not Yet Effective***

In June 2018, the FASB issued ASU2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 (fiscal year 2020). The Foundation is assessing the impact this standard will have on its financial statements.

#### ***Subsequent Events***

The Foundation has evaluated subsequent events through January 24, 2020 which is the date that the financial statements were approved and available to be issued.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

---

As of June 30, 2019, financial assets available within one year of the statement of financial position date for operating expenses and general obligations are as follows:

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 2,586,731
Contributions receivable for operations in fiscal 2020	2,805,592
Investments available for operations	<u>111,864</u>
Financial assets at June 30, 2019	<u>5,504,187</u>
Less those unavailable for general expenditures within one year	<u>(250,000)</u>
Available to meet general expenditures within one year	<u>\$ 5,254,187</u>

The Foundation's cash flows have seasonal variations during the year primarily due to timing of special events, contributions and grants. The Foundation's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due. To manage liquidity, the Foundation maintains a line of credit in the amount of \$500,000 that can be drawn upon as needed during the year. At June 30, 2019 there was no outstanding borrowing on the line of credit.

---

### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

---

The summary of the investment return for the years ended June 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends income, net	\$ 83,321	\$ 103,563
Realized gain on investments	<u>37,058</u>	<u>57,208</u>
	120,379	160,771
Unrealized gain on investments	<u>46,730</u>	<u>1,228</u>
Total investment return	<u>\$ 167,109</u>	<u>\$ 161,999</u>

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.
- Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include the reporting entity's own data.

The following table presents information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Investments at Fair Value
Money market funds <sup>(1)</sup>	\$ 321,282	\$ -	\$ -	\$ 321,282
Fixed income security funds	948,555	-	-	948,555
Mutual funds - equities				
Large cap	505,252	-	-	505,252
Mid cap	141,911	-	-	141,911
Small cap	68,650	-	-	68,650
International	301,208	-	-	301,208
Total mutual funds - equities	2,286,858	-	-	2,286,858
Beneficial interest in perpetual trust	-	-	1,332,776	1,332,776
Total investments at fair value	\$ 2,286,858	\$ -	\$ 1,332,776	\$ 3,619,634

<sup>(1)</sup> \$257,788 of the money market funds are included in cash equivalents on the statement of financial position.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

### NOTE 3 - Investments and Fair Value Measurements (Continued)

The following table presents information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Investments at Fair Value
Money market funds <sup>(1)</sup>	\$ 407,251	\$ -	\$ -	\$ 407,251
Fixed income security funds	887,828	-	-	887,828
Mutual funds - equities				
Large cap	428,429	-	-	428,429
Mid cap	108,816	-	-	108,816
Small cap	62,594	-	-	62,594
International	172,938	-	-	172,938
Total mutual funds - equities	2,067,856	-	-	2,067,856
Beneficial interest in perpetual trust	-	-	1,318,385	1,318,385
Total investments at fair value	<u>\$ 2,067,856</u>	<u>\$ -</u>	<u>\$ 1,318,385</u>	<u>\$ 3,386,241</u>

<sup>(1)</sup> \$257,157 of the money market funds are included in cash equivalents on the statement of financial position.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Money market funds, fixed income security funds and mutual funds** - Money market funds, fixed income security funds and mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

**Beneficial interest in perpetual trust** - The Foundation's beneficial interest in a perpetual trust administered by a third party is classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the Foundation has an irrevocable right to receive the income earned from the trust's assets, the fair value of the Foundation's beneficial interest is estimated to approximate the fair value of the trust's assets.

Investments currently owned are held principally for endowment purposes and are recorded as noncurrent on the statements of financial position.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

### **NOTE 3 - Investments and Fair Value Measurements (Continued)**

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Balance June 30, 2018	Purchases	Sales	Realized and unrealized gains	Balance June 30, 2019
Beneficial interest in perpetual trust	<u>\$ 1,318,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,391</u>	<u>\$ 1,332,776</u>

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets measured at fair value still held at June 30, 2019 \$ 14,391

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

	Balance June 30, 2017	Purchases	Sales	Realized and unrealized losses	Balance June 30, 2018
Beneficial interest in perpetual trust	<u>\$ 1,340,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,655)</u>	<u>\$ 1,318,385</u>

The amount of total losses for the period included in change in net assets attributable to the change in unrealized losses relating to assets measured at fair value still held at June 30, 2018 \$ (21,655)

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### NOTE 4 - ENDOWMENT

---

The Foundation's endowment consists of donor restricted funds established for the following purposes:

Restricted in perpetuity funds are donor restricted, with the income and related investment gains to be used for donor restricted zoo programs or operations.

Time restricted funds are the accumulation of earnings from the restricted in perpetuity endowment that have not been appropriated for expenditure, with the income and related investment gains to be used for any mission related program.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, if any, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing flexibility in making expenditure decisions from donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the in perpetuity endowment, (b) the original value of subsequent gifts to the in perpetuity endowment and (c) accumulations to the in perpetuity endowment made in accordance with the donor gift instrument.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation 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 Foundation
7. The investment policies of the Foundation



# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### **NOTE 4 - Endowment** (Continued)

---

The Foundation 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. The Foundation has a policy of generally appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 12 quarters. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds, if any. Under this policy, as approved by the Board of Trustees, the endowment assets are expected to outperform a custom benchmark (the Allocation Index) consisting of the appropriate indices of each asset class and their proportional weighting in the portfolio.

The Allocation Index is constructed by selecting appropriate indices (e.g., S&P 500, Russell 2000, MSCI EAFE, etc.) and assigning beginning of the quarter weightings by asset class. The total return of the invested assets is expected to exceed the total return of the Allocation Index.

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

The Foundation expects its endowment fund, over time, to provide a reasonable rate of return on an annualized basis. The Foundation has an endowment distribution policy that allows for periodic distributions, as approved and directed by the Finance Committee of the Board of Trustees. The long term goal is to achieve a rate of growth sufficient to meet the Foundation's spending needs, while maintaining the inflation-adjusted principal of the endowment funds.

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 the UPMIFA requires Minnesota Zoo Foundation to retain as a fund of perpetual duration. There were no underwater endowment investments reported as of June 30, 2019 and 2018.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

### NOTE 4 - Endowment (Continued)

The following table summarizes endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 1,185,920	\$ 1,185,920
Total endowment net assets	\$ -	\$ 1,185,920	\$ 1,185,920

The following table summarizes endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 1,154,471	\$ 1,154,471
Total endowment net assets	\$ -	\$ 1,154,171	\$ 1,154,471

Change in endowment net assets for the year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ -	\$ 1,154,471	\$ 1,154,471
Investment return			
Investment income, net	-	19,572	19,572
Net appreciation (realized and unrealized)	-	54,264	54,264
Total investment return	-	73,836	73,836
Distributions to operations	-	(52,876)	(52,876)
Contributions	-	10,489	10,489
Endowment net assets, June 30, 2019	\$ -	\$ 1,185,920	\$ 1,185,920

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### NOTE 4 - Endowment (Continued)

---

Change in endowment net assets for the year ended June 30, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ -	\$ 1,081,160	\$ 1,081,160
Investment return			
Investment income, net	-	14,372	14,372
Net appreciation (realized and unrealized)	-	49,232	49,232
Total investment return	-	63,604	63,604
Distributions to operations	-	(49,964)	(49,964)
Contributions	-	59,671	59,671
Endowment net assets, June 30, 2018	<u>\$ -</u>	<u>\$ 1,154,471</u>	<u>\$ 1,154,471</u>

---

### NOTE 5 - Related Party Transactions

---

Grants and distributions paid by the Foundation to the Minnesota Zoological Garden were \$1,120,992 and \$1,858,545 for the years ended June 30, 2019 and 2018, respectively. This includes donated in-kind items in the amount of \$18,150 and \$38,323 for the years ended June 30, 2019 and 2018, respectively.

The Minnesota Zoological Garden provides furnished office space and technical support to the Foundation at no charge. These amounts are recorded as in-kind contribution revenue and were recorded at fair value in the amount of \$19,926 each year for the years ended June 30, 2019 and 2018.

---

### NOTE 6 - LINE OF CREDIT

---

The Foundation maintains a \$500,000 bank line of credit, secured by all business assets, which expires June 29, 2020. Interest is charged at the current prime rate. In addition, the line of credit requires that certain covenants be maintained by the Foundation. The line of credit balance was \$0 at June 30, 2019 and 2018. No amounts were drawn on the line of credit during 2019 or 2018.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### NOTE 7 - CONTRIBUTIONS RECEIVABLE, NET

---

Contributions receivable include the following unconditional promises to be collected at June 30:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 2,805,592	\$ 416,006
Between one year and five years	5,046,167	617,166
More than five years	<u>-</u>	<u>-</u>
Gross promises to give	7,851,759	1,033,172
Less: Discount to net present value	(160,300)	(22,600)
Allowance for uncollectible contributions receivable	<u>(50,500)</u>	<u>(9,800)</u>
Net Contributions Receivable	<u>\$ 7,640,959</u>	<u>\$ 1,000,772</u>

Promises to give have been discounted using rates ranging from 1.7% to 2.6% and 1.4% to 2.7%, at June 30, 2019 and 2018, respectively, depending on the date and length of pledge.

Contributions receivable at June 30, 2019 and 2018 include approximately \$7,500,000 and \$800,000 due from 4 and 2 donors, respectively. Contributions receivable from Board members of the Foundation and the Minnesota Zoological Garden were approximately \$1,046,500 and \$54,200 as of June 30, 2019 and 2018, respectively.

Contributions revenue for the years ended June 30, 2019 and 2018 included approximately \$7,875,000 from 4 donors and \$730,000 from 4 donors, respectively. Contributions revenue from Board members of the Foundation and the Minnesota Zoological Garden were approximately \$1,580,000 and \$409,800 for the years ended June 30, 2019 and 2018, respectively.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### NOTE 8 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

---

Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Net assets with time and purpose restrictions		
Zoo programs*	\$ 2,403,637	\$ 2,248,591
Capital projects	7,589,536	35,762
Outstanding pledges, time restricted	<u>75,000</u>	<u>-</u>
Total net assets with time and purpose restrictions	<u>\$ 10,068,173</u>	<u>\$ 2,284,353</u>
Net assets held in perpetuity		
Beneficial interest in perpetual trust	<u>\$ 1,332,776</u>	<u>\$ 1,318,385</u>
Endowment funds		
Zoomobile endowment	\$ 182,000	\$ 182,000
General endowment	88,876	88,876
Granum fund – exhibit updates	79,441	79,441
Kay Kamps fund – animal health	29,042	29,042
Volunteer endowment	27,504	27,354
Boegnik fund – marine exhibits	10,525	10,525
Boardman fund – zoo camp	9,994	9,744
Roman education fund – zoomobile or zoo safari	182,472	181,162
Cook endowment – Minnesota conservation	52,708	50,073
Greenberg fund – animal exhibit	64,020	64,020
Eric Hayes Memorial fund – shop fabrication	72,890	67,790
Beaulieu fund – general operating with marine emphasis	30,985	29,941
Tilson fund – tiger conservation	<u>1,225</u>	<u>1,225</u>
Total endowment funds	<u>831,682</u>	<u>821,193</u>
Total net assets held in perpetuity	<u>\$ 2,164,458</u>	<u>\$ 2,139,578</u>
Total net assets with donor restrictions	<u>\$ 12,232,631</u>	<u>\$ 4,423,931</u>

\* Includes \$354,238 and \$333,278 of undistributed earnings on endowment funds to be held in perpetuity as of June 30, 2019 and 2018, respectively.

---

### NOTE 9 - RETIREMENT PLAN

---

The Foundation maintains a 401(k) retirement plan for the benefit of all employees meeting minimum eligibility requirements. The Foundation's contributions to the plan were \$35,005 and \$24,886 for the years ended June 30, 2019 and 2018, respectively.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

---

### **NOTE 10 - Deferred Gift Agreements**

---

The Foundation has arrangements with donors classified as a charitable annuity liability. In general, under these arrangements, the Foundation receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the Foundation or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the donor. There were no new deferred gift arrangements received for the years ended June 30, 2019 and 2018.