

Minnesota Zoo Foundation

Apple Valley, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2008 and 2007

Carpenter Evert
Certified Public Accountants



CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
EXHIBIT A: Statements of Activities and Changes in Net Assets – For the Years Ended June 30, 2008 and 2007.....	2
EXHIBIT B: Statement of Functional Expense – For the Year Ended June 30, 2008 with Comparative Totals for 2007	3
EXHIBIT C: Statement of Functional Expense – For the Year Ended June 30, 2007	4
EXHIBIT D: Statements of Financial Position – June 30, 2008 and 2007	5
EXHIBIT E: Statements of Cash Flows – For the Years Ended June 30, 2008 and 2007.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-12

Certified Public Accountants

Minnesota Center • Suite 1340

7760 France Avenue South

Bloomington, Minnesota 55435

952-831-0085 Fax 952-831-0792

Carpenter Evert

Independent Auditor's Report

Board of Trustees
Minnesota Zoo Foundation
Apple Valley, Minnesota

We have audited the accompanying statements of financial position of Minnesota Zoo Foundation as of June 30, 2008 and 2007, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Minnesota Zoo Foundation as of June 30, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Carpenter, Evert & Associates, L.L.C.

Certified Public Accountants

Minneapolis, Minnesota
October 6, 2008

EXHIBIT A

MINNESOTA ZOO FOUNDATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Contributions	\$ 4,470,437	\$ 2,506,281	\$ 10,200	\$ 6,986,918	\$ 1,575,074	\$ 1,339,343	\$ 19,141	\$ 2,933,558
Government Grants	-	-	-	-	524,353	-	-	524,353
In-kind Contributions	201,212	-	-	201,212	35,877	-	-	35,877
Special Events (Net of Direct Benefit to Donors of \$63,600 and \$55,146 in 2008 and 2007, respectively)	503,140	-	-	503,140	397,044	-	-	397,044
Investment Income	22,105	10,914	-	33,019	39,915	-	-	39,915
Other Income	5	-	-	5	78	-	-	78
Net Assets Released from Restrictions:								
Satisfaction of Capital Restrictions	-	-	-	-	8,604	(8,604)	-	-
Satisfaction of Program Restrictions	1,346,190	(1,346,190)	-	-	845,032	(845,032)	-	-
Total Support and Revenue	6,543,089	1,171,005	10,200	7,724,294	3,425,977	485,707	19,141	3,930,825
Expense:								
Program Services	2,858,760	-	-	2,858,760	1,805,796	-	-	1,805,796
Support Services:								
Management and General Fundraising	604,211	-	-	604,211	454,964	-	-	454,964
Total Support Services	315,963	-	-	315,963	191,571	-	-	191,571
Total Expense	920,174	-	-	920,174	646,535	-	-	646,535
	3,778,934	-	-	3,778,934	2,452,331	-	-	2,452,331
Change in Net Assets	2,764,155	1,171,005	10,200	3,945,360	973,646	485,707	19,141	1,478,494
Net Assets - Beginning of Year	1,421,405	700,868	348,522	2,470,795	447,759	215,161	329,381	992,301
Net Assets - End of Year	\$ 4,185,560	\$ 1,871,873	\$ 358,722	\$ 6,416,155	\$ 1,421,405	\$ 700,868	\$ 348,522	\$ 2,470,795

The accompanying Notes to Financial Statements are an integral part of these statements.

EXHIBIT B

MINNESOTA ZOO FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR 2007

	2008				2007	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Zoo Program Distributions - Restricted	\$ 1,463,310	\$ -	\$ -	\$ -	\$ 1,463,310	\$ 709,666
Zoo Program Distributions - Unrestricted	748,993	-	-	-	748,993	488,136
Personnel Costs	83,348	434,004	77,990	511,994	595,342	463,732
Other Grants	369,951	-	-	-	369,951	296,867
Supplies, Printing and Postage	29,576	15,830	104,603	120,433	150,009	139,108
Contract and Professional Services	78,410	29,837	21,819	51,656	130,066	175,969
Special Events	52,638	-	73,117	73,117	125,755	60,550
Bad Debt and NSF	16,803	87,494	15,723	103,217	120,020	48,300
Rent	2,587	13,472	2,421	15,893	18,480	18,480
Donor Cultivation and Recognition	-	-	15,993	15,993	15,993	11,685
Miscellaneous	3,458	9,099	1,696	10,795	14,253	16,464
Bank Fees	1,844	9,600	1,725	11,325	13,169	10,726
Dues and Subscriptions	5,674	1,126	202	1,328	7,002	9,499
Travel	2,168	3,749	674	4,423	6,591	3,149
Total Expense	\$ 2,858,760	\$ 604,211	\$ 315,963	\$ 920,174	\$ 3,778,934	\$ 2,452,331

The accompanying Notes to Financial Statements
are an integral part of this statement.

MINNESOTA ZOO FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2007

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Zoo Program Distributions - Restricted	\$ 709,666	\$ -	\$ -	\$ -	\$ 709,666
Zoo Program Distributions - Unrestricted	488,136	-	-	-	488,136
Personnel Costs	89,500	299,107	75,125	374,232	463,732
Other Grants	296,867	-	-	-	296,867
Supplies, Printing and Postage	38,915	63,008	37,185	100,193	139,108
Contract and Professional Services	140,749	33,221	1,999	35,220	175,969
Special Events	14,834	-	45,716	45,716	60,550
Bad Debt and NSF	9,322	31,153	7,825	38,978	48,300
Rent	3,567	11,920	2,993	14,913	18,480
Donor Cultivation and Recognition	-	-	11,685	11,685	11,685
Miscellaneous	3,259	10,346	2,859	13,205	16,464
Bank Fees	1,227	4,102	5,397	9,499	10,726
Dues and Subscriptions	8,614	707	178	885	9,499
Travel	1,140	1,400	609	2,009	3,149
Total Expense	\$ 1,805,796	\$ 454,964	\$ 191,571	\$ 646,535	\$ 2,452,331

The accompanying Notes to Financial Statements
are an integral part of this statement.

MINNESOTA ZOO FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and Cash Equivalents	\$ 866,593	\$ 722,145
Pledges Receivable	3,261,407	618,486
Prepaid Expense	5,917	24,125
Total Current Assets	<u>4,133,917</u>	<u>1,364,756</u>
Investments	334,428	273,400
Pledges Receivable - Net	<u>2,015,658</u>	<u>904,197</u>
 TOTAL ASSETS	 <u>\$ 6,484,003</u>	 <u>\$ 2,542,353</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 37,970	\$ 44,040
Accrued Vacation and Other Liabilities	29,878	27,518
Total Current Liabilities	<u>67,848</u>	<u>71,558</u>
Net Assets:		
Unrestricted:		
Designated	250,000	250,000
Undesignated	3,935,560	1,171,405
Total Unrestricted	<u>4,185,560</u>	<u>1,421,405</u>
Temporarily Restricted	1,871,873	700,868
Permanently Restricted	358,722	348,522
Total Net Assets	<u>6,416,155</u>	<u>2,470,795</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,484,003</u>	 <u>\$ 2,542,353</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

MINNESOTA ZOO FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>Increase in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 3,945,360	\$ 1,478,494
Total Adjustments	<u>(3,750,084)</u>	<u>(1,476,549)</u>
Net Cash Provided by Operating Activities	195,276	1,945
Cash Flows from Investing Activities:		
Purchase of Investments	(61,028)	(72,272)
Permanently Restricted Contributions	<u>10,200</u>	<u>19,141</u>
Net Cash (Used) by Investing Activities	<u>(50,828)</u>	<u>(53,131)</u>
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	144,448	(51,186)
Cash and Cash Equivalents - Beginning of Year	<u>722,145</u>	<u>773,331</u>
Cash and Cash Equivalents - End of Year	<u>\$ 866,593</u>	<u>\$ 722,145</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. Summary of Significant Accounting Policies

Organizational Purpose

Minnesota Zoo Foundation's (the Foundation) primary purpose is to raise funds for Minnesota Zoological Garden.

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

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Minnesota Zoo Foundation, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources 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:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts.

Temporarily Restricted Net Assets – The part of net assets of the Foundation resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Permanently Restricted Net Assets – Net assets resulting from contributions with donor-imposed stipulations that neither expire with time nor may be fulfilled by actions of the Foundation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. Summary of Significant Accounting Policies (continued)

Investments

Short-term, long-term and other restricted investments consist of short-term money market accounts and are carried at market value. Cost approximates market value for these investments.

Allowance for Doubtful Accounts

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

Property and Equipment

The Foundation does not capitalize property and equipment. All purchased items that could be capitalized are immediately donated to the Minnesota Zoological Garden. The Foundation's use of the donated items is considered in-kind donation from the Zoo.

Contributions

Contributions are recorded as support in the period received or pledged. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support service are allocated based on the best estimates of management.

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. Summary of Significant Accounting Policies (continued)

Income Tax

The Foundation has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Reclassifications

Certain amounts in prior comparative totals have been reclassified to conform with the presentation in the current year financial statements.

2. Financial Instruments

Significant Concentrations of Credit Risk

Minnesota Zoo Foundation provides services within the Twin Cities area. Pledges receivable are from local residents and institutions.

Concentrations of Credit Risk from Cash Deposits in Excess of Insured Limits

At June 30, 2008 and 2007, the Foundation held funds at a local financial institution in excess of federally insured limits.

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

3. Related Party Transactions

Grants and distributions paid by the Foundation to the Minnesota Zoological Garden were \$2,032,730 and \$1,175,690 for the years ended June 30, 2008 and 2007, respectively.

Minnesota Zoological Garden pays some costs of the Foundation and does not require this to be reimbursed by the Foundation. The items provided were recorded as an in-kind donation and are detailed as follows as of:

	June 30,	
	2008	2007
Rental Space	\$ 18,480	\$ 18,480
Supplies, Printing and Postage	-	1,400
Total	\$ 18,480	\$ 19,880

4. Line-of-Credit

The Foundation maintains a \$250,000 line-of-credit with US Bank, which expires July 2008. Interest is equal to the current prime rate. The balance was \$-0- for both June 30, 2008 and 2007.

5. Pledges Receivable

The outstanding balance of pledges receivable at June 30, 2008, is expected to be collected over the following fiscal years:

<u>Due in the Year Ending June 30,</u>	
2009	\$ 3,261,407
2010	918,246
2011	829,671
2012	511,866
2013	90,450
2014 and beyond	4,000
	5,615,640
Less: Allowance for Doubtful Accounts	170,000
Discount at 4%	168,575
Net Amount	5,277,065
Current Portion	3,261,407
Non-current Portion	\$ 2,015,658

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

6. Designated Net Assets

The Board of Directors designated unrestricted net assets for the following purpose as of:

	June 30,	
	2008	2007
Operating Reserve	\$ 250,000	\$ 250,000

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts for the following as of:

	June 30,	
	2008	2007
Zoo Programs	\$1,816,143	\$ 645,138
Capital Projects	55,730	55,730
	\$1,871,873	\$ 700,868

8. Permanently Restricted Net Assets

Permanently restricted net assets consisted of amounts for the following as of:

	June 30,	
	2008	2007
Zoomobile Endowment	\$ 130,731	\$ 130,731
Granum Fund	77,441	77,441
General Endowment	78,626	73,626
Kay Kamps Fund	29,042	29,042
Volunteer Endowment	21,843	21,843
Boegnik Fund	13,425	8,425
Boardman Fund	7,614	7,414
	\$ 358,722	\$ 348,522

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 \$10,032 and \$1,517 for the years ended June 30, 2008 and 2007, respectively.

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

10. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities were as follows as of:

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Permanently Restricted Contributions	\$ (10,200)	\$ (19,141)
Pledges Receivable	(1,327,757)	(943,475)
Allowance for Doubtful Accounts	120,000	48,000
Pledges Receivable Discount	96,296	71,009
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(6,070)	(16,273)
Accrued Vacation	2,360	15,895
Decreases (Increases) in Current Assets:		
Pledges Receivable	(2,642,921)	(610,702)
Prepaid Expense	18,208	(21,862)
Total Adjustments	<u>\$(3,750,084)</u>	<u>\$(1,476,549)</u>