

# Minnesota Zoo Foundation

Apple Valley, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2009 and 2008

*Carpenter Evert*  
Certified Public Accountants

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## 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, 2009 and 2008.....	2
EXHIBIT B: Statement of Functional Expense – For the Year Ended June 30, 2009 with Comparative Totals for 2008 .....	3
EXHIBIT C: Statement of Functional Expense – For the Year Ended June 30, 2008 .....	4
EXHIBIT D: Statements of Financial Position – June 30, 2009 and 2008 .....	5
EXHIBIT E: Statements of Cash Flows – For the Years Ended June 30, 2009 and 2008.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-15

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## 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, 2009 and 2008, 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, 2009 and 2008, 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 and Associates, Ltd.*

Certified Public Accountants

Minneapolis, Minnesota  
September 25, 2009

EXHIBIT A

MINNESOTA ZOO FOUNDATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Contributions	\$ 2,404,487	\$ 1,874,997	\$ 37,300	\$ 4,316,784	\$ 4,470,437	\$ 2,506,281	\$ 10,200	\$ 6,986,918
In-kind Contributions	66,802	-	-	66,802	201,212	-	-	201,212
Special Events (Net of Direct Benefit to Donors of \$66,480 and \$63,600 in 2009 and 2008, respectively)	373,151	-	-	373,151	503,140	-	-	503,140
Investment Income	5,065	50,858	-	55,923	22,105	10,914	-	33,019
Other Income	43	-	-	43	5	-	-	5
Net Assets Released from Restrictions:								
Satisfaction of Capital Restrictions	55,730	(55,730)	-	-	-	-	-	-
Satisfaction of Program Restrictions	2,224,229	(2,224,229)	-	-	1,346,190	(1,346,190)	-	-
Total Support and Revenue	5,129,507	(354,104)	37,300	4,812,703	6,543,089	1,171,005	10,200	7,724,294
Expense:								
Program Services	4,679,380	-	-	4,679,380	2,858,760	-	-	2,858,760
Support Services:								
Management and General Fundraising	635,460	-	-	635,460	604,211	-	-	604,211
Total Support Services	317,864	-	-	317,864	315,963	-	-	315,963
Total Expense	953,324	-	-	953,324	920,174	-	-	920,174
	5,632,704	-	-	5,632,704	3,778,934	-	-	3,778,934
Change in Net Assets	(503,197)	(354,104)	37,300	(820,001)	2,764,155	1,171,005	10,200	3,945,360
Net Assets - Beginning of Year	4,185,560	1,871,873	358,722	6,416,155	1,421,405	700,868	348,522	2,470,795
Net Assets - End of Year	\$ 3,682,363	\$ 1,517,769	\$ 396,022	\$ 5,596,154	\$ 4,185,560	\$ 1,871,873	\$ 358,722	\$ 6,416,155

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, 2009  
WITH COMPARATIVE TOTALS FOR 2008

	2009				2008	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Zoo Program Distributions - Unrestricted	\$ 2,167,458	\$ -	\$ -	\$ -	\$ 2,167,458	\$ 748,993
Zoo Program Distributions - Restricted	1,909,659	-	-	-	1,909,659	1,463,310
Personnel Costs	103,820	511,789	115,518	627,307	731,127	595,342
Other Grants	284,094	-	-	-	284,094	369,951
Contract and Professional Services	107,373	29,102	21,445	50,547	157,920	130,066
Supplies, Printing and Postage	26,919	1,890	102,185	104,075	130,994	150,009
Special Events	52,638	-	45,660	45,660	98,298	125,755
Bad Debt and NSF	6,745	33,250	7,505	40,755	47,500	120,020
Rent	5,471	26,968	6,087	33,055	38,526	18,480
Miscellaneous	5,077	16,595	3,806	20,401	25,478	14,253
Bank Fees	2,179	10,741	2,424	13,165	15,344	13,169
Donor Cultivation and Recognition	-	-	12,077	12,077	12,077	15,993
Dues and Subscriptions	5,792	1,646	372	2,018	7,810	7,002
Travel	2,155	3,479	785	4,264	6,419	6,591
<b>Total Expense</b>	<b>\$ 4,679,380</b>	<b>\$ 635,460</b>	<b>\$ 317,864</b>	<b>\$ 953,324</b>	<b>\$ 5,632,704</b>	<b>\$ 3,778,934</b>

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, 2008

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

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

MINNESOTA ZOO FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,285,837	\$ 866,593
Pledges Receivable	2,263,558	3,261,407
Prepaid Expense	14,881	5,917
Total Current Assets	<u>3,564,276</u>	<u>4,133,917</u>
Investments	417,994	334,428
Pledges Receivable - Net	<u>1,671,278</u>	<u>2,015,658</u>
 TOTAL ASSETS	 <u>\$ 5,653,548</u>	 <u>\$ 6,484,003</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 11,557	\$ 37,970
Accrued Vacation and Other Liabilities	45,837	29,878
Total Current Liabilities	<u>57,394</u>	<u>67,848</u>
Net Assets:		
Unrestricted:		
Designated	250,000	250,000
Undesignated	3,432,363	3,935,560
Total Unrestricted	<u>3,682,363</u>	<u>4,185,560</u>
Temporarily Restricted	1,517,769	1,871,873
Permanently Restricted	396,022	358,722
Total Net Assets	<u>5,596,154</u>	<u>6,416,155</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,653,548</u>	 <u>\$ 6,484,003</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>Increase in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (820,001)	\$ 3,945,360
Total Adjustments	<u>1,285,511</u>	<u>(3,750,084)</u>
Net Cash Provided by Operating Activities	465,510	195,276
Cash Flows from Investing Activities:		
Purchase of Investments	(83,566)	(61,028)
Permanently Restricted Contributions	<u>37,300</u>	<u>10,200</u>
Net Cash (Used) by Investing Activities	(46,266)	(50,828)
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	419,244	144,448
Cash and Cash Equivalents - Beginning of Year	<u>866,593</u>	<u>722,145</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,285,837</u>	<u>\$ 866,593</u>

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



MINNESOTA ZOO FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

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, 2009 AND 2008

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, 2009 AND 2008

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.

The Organization has elected to defer the application of FASB Interpretation No. 48 (FIN 48) until June 30, 2010, and is currently evaluating the effects, if any, that FIN 48 may have on the financial statements

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.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through September 25, 2009, which is the date financial statements were available to be issued.

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, 2009 and 2008, the Foundation held funds at a local financial institution in excess of federally insured limits.

MINNESOTA ZOO FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

3. Fair Value

The Organization adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157") effective July 1, 2008. In accordance with SFAS 157, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. SFAS 157 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at June 30, 2009:

Valuation Inputs:

Level 1 – Quoted Prices	\$ 417,994
Level 2 – Other Significant Observable Inputs	-
Level 3 – Significant Unobservable Inputs	-
Total	<u>\$ 417,994</u>

4. Endowment Fund

Description

The Endowment consists of permanently restricted and temporarily restricted funds established for the following purposes:

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

Temporarily restricted funds are the accumulation of earnings from the permanently restricted 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 Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

MINNESOTA ZOO FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

4. Endowment Fund (continued)

Endowment Net Asset Composition by Type of Fund

As of June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ -	\$ 29,704	\$ 358,722	\$ 388,426

As of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ -	\$ 80,562	\$ 396,022	\$ 476,584

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets June 30, 2008	\$ -	\$ 29,704	\$ 358,722	\$ 388,426
Contributions	-	-	37,300	37,300
Investment Return:				
Investment Income	-	7,058	-	7,058
Unrealized Gain	-	43,800	-	43,800
Total Investment Return	-	50,858	-	50,858
Net Assets June 30, 2009	\$ -	\$ 80,562	\$ 396,022	\$ 476,584

Interpretation of Relevant Law

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

MINNESOTA ZOO FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

4. Endowment Fund (continued)

As a result of this interpretation, the Minnesota Zoo Foundation defines permanently restricted assets as:

- (a) the original value of gifts donated to the permanent endowment,
- (b) the original value of subsequent gifts to the permanent endowment,
- (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- 1. The duration and preservation of the fund.
- 2. The purpose of the Organization and the donor-restricted endowment fund.
- 3. General economic conditions.
- 4. The possible effect of inflation and deflation.
- 5. The expected total return from income and the appreciation of investments.
- 6. Other resources of the Organization.
- 7. The investment policies of the Organization.

5. Investments

The Organization held the following investments as of:

	June 30,			
	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Money Market Funds	\$ 14,465	\$ 14,465	\$ 334,428	\$ 334,428
Marketable Debt Securities	147,614	155,998	-	-
Marketable Equity Securities	224,169	247,531	-	-
	<u>\$ 386,248</u>	<u>\$ 417,994</u>	<u>\$ 334,428</u>	<u>\$ 334,428</u>

The Organization had realized gains of \$13,140 and \$-0- as well as interest income of \$14,877 and \$35,432 for the years ending June 30, 2009 and 2008, respectively. The Organization also had unrealized gains of \$31,746 and \$-0- for the years ending June 30, 2009 and 2008, respectively.

MINNESOTA ZOO FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

6. Related Party Transactions

Grants and distributions paid by the Foundation to the Minnesota Zoological Garden were \$4,046,323 and \$2,032,730 for the years ended June 30, 2009 and 2008, respectively. Additionally, the Foundation donated in-kind items in the amount of \$30,794 and \$179,573 for the years ended June 30, 2009 and 2008, respectively.

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

	June 30,	
	2009	2008
Rental Space	\$ 38,525	\$ 18,480

7. Line-of-Credit

The Foundation maintains a \$500,000 line-of-credit with US Bank, secured by all business assets, which expires June 2010. Interest is equal to the current prime rate. The balance was \$-0- for both June 30, 2009 and 2008.

8. Pledges Receivable

The outstanding balance of pledges receivable at June 30, 2009, is expected to be collected over the following fiscal years:

<u>Due in the Year Ending June 30,</u>	
2010	\$ 2,263,558
2011	1,017,718
2012	672,661
2013	290,130
2014	26,750
2015 and beyond	-
	4,270,817
Less: Allowance for Doubtful Accounts	210,000
Less: Discount at 5%	125,981
Net Amount	3,934,836
Current Portion	2,263,558
Non-current Portion	\$ 1,671,278

MINNESOTA ZOO FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

9. Designated Net Assets

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

	June 30,	
	2009	2008
Operating Reserve	\$ 250,000	\$ 250,000

10. Temporarily Restricted Net Assets

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

	June 30,	
	2009	2008
Zoo Programs	\$ 784,792	\$ 1,816,143
Capital Projects	732,977	55,730
	\$ 1,517,769	\$ 1,871,873

11. Permanently Restricted Net Assets

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

	June 30,	
	2009	2008
Zoomobile Endowment	\$ 155,731	\$ 130,731
General Endowment	88,626	78,626
Granum Fund	79,441	77,441
Kay Kamps Fund	29,042	29,042
Volunteer Endowment	21,843	21,843
Boegnik Fund	13,525	13,425
Boardman Fund	7,814	7,614
	\$ 396,022	\$ 358,722

12. 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 \$17,127 and \$10,032 for the years ended June 30, 2009 and 2008, respectively.



MINNESOTA ZOO FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

13. 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>2009</u>	<u>2008</u>
Permanently Restricted Contributions	\$ (37,300)	\$ (10,200)
Pledges Receivable	346,974	(1,327,757)
Allowance for Doubtful Accounts	40,000	120,000
Pledges Receivable Discount	(42,594)	96,296
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(26,413)	(6,070)
Accrued Vacation	15,959	2,360
Decreases (Increases) in Current Assets:		
Pledges Receivable	997,849	(2,642,921)
Prepaid Expense	(8,964)	18,208
Total Adjustments	<u>\$ 1,285,511</u>	<u>\$(3,750,084)</u>