

# **MINNESOTA ZOO FOUNDATION**

**FINANCIAL STATEMENTS**  
Including Independent Auditors' Report

June 30, 2010

# MINNESOTA ZOO FOUNDATION

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Baker Tilly Virchow Krause, LLP  
225 S Sixth St, Ste 2300  
Minneapolis, MN 55402-4661  
tel 612 876 4500  
fax 612 238 8900  
bakertilly.com

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Minnesota Zoo Foundation  
Apple Valley, Minnesota

We have audited the accompanying statement of financial position of Minnesota Zoo Foundation (the Foundation) as of June 30, 2010, and the related statements of activities, functional expense and cash flows for the year 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 audit. The financial statements as of June 30, 2009 were audited before restatement by other auditors whose report dated September 25, 2009 expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Zoo Foundation as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, the 2009 net assets have been restated to correct errors related to the improper classification of net assets and to recognize a previously unrecorded beneficial interest in a perpetual trust. We have audited the adjustments described in Note 11 that were applied to restate the 2009 net assets. In our opinion, such adjustments are appropriate and have been properly applied.



Minneapolis, Minnesota  
October 28, 2010

**MINNESOTA ZOO FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2010

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,162,381
Contributions receivable	2,048,995
Prepaid expenses and other	<u>12,746</u>
Total Current Assets	3,224,122

**NON CURRENT ASSETS**

Contributions receivable	748,914
Investments	465,857
Beneficial interest in perpetual trust	<u>1,132,636</u>

**TOTAL ASSETS** \$ 5,571,529

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 24,795
Accrued vacation and other liabilities	<u>61,399</u>
Total Current Liabilities	86,194

**NON CURRENT LIABILITIES**

Charitable gift annuity	<u>26,621</u>
Total Liabilities	<u>112,815</u>

**NET ASSETS**

Unrestricted	
Undesignated	692,705
Board designated	<u>250,000</u>
Total unrestricted	942,705
Temporarily restricted	2,946,571
Permanently restricted	<u>1,569,438</u>
Total Net Assets	<u>5,458,714</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 5,571,529

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 910,146	\$ 1,816,097	\$ 40,780	\$ 2,767,023
Change in beneficial interest in trust	-	-	60,193	60,193
In-kind contributions	115,461	-	-	115,461
Special events, net	402,315	60,395	-	462,710
Investment income	2,891	81,715	-	84,606
Net assets released from restrictions				-
Satisfaction of capital restrictions	341,149	(341,149)	-	-
Satisfaction of program restrictions	2,460,898	(2,460,898)	-	-
Satisfaction of time restrictions	651,907	(651,907)	-	-
Total Support and Revenue	4,884,767	(1,495,747)	100,973	3,489,993
<b>EXPENSE</b>				
Program services	3,793,795	-	-	3,793,795
Support services				
Management and general	619,990	-	-	619,990
Fundraising	286,091	-	-	286,091
Total support services	906,081	-	-	906,081
Total Expense	4,699,876	-	-	4,699,876
<b>CHANGE IN NET ASSETS</b>	184,891	(1,495,747)	100,973	(1,209,883)
Net Assets - Beginning of Year, as previously reported	3,682,363	1,517,769	396,022	5,596,154
Restatement of prior year net assets	(2,924,549)	2,924,549	1,072,443	1,072,443
Net Assets - Beginning of Year, as restated	757,814	4,442,318	1,468,465	6,668,597
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 942,705</u>	<u>\$ 2,946,571</u>	<u>\$ 1,569,438</u>	<u>\$ 5,458,714</u>

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	Total Program Services	Support Services		Total Support Services	Total Expenses
		Management and General	Fundraising		
Zoo Program distributions - unrestricted	\$ 680,700	\$ -	\$ -	\$ -	\$ 680,700
Zoo Program distributions - restricted	2,558,720	-	-	-	2,558,720
Personnel costs	109,297	498,941	101,492	600,433	709,730
Other grants	151,239	-	-	-	151,239
Contract and professional services	212,311	40,376	12,535	52,911	265,222
Supplies, printing and postage	18,101	18,874	69,303	88,177	106,278
Special events	34,103	-	75,283	75,283	109,386
Bad debts and NSF	5,855	26,728	5,437	32,165	38,020
Rent	1,790	8,172	1,662	9,834	11,624
Miscellaneous	12,830	11,975	3,027	15,002	27,832
Donor cultivation and recognition	-	-	13,190	13,190	13,190
Bank fees	2,553	11,653	2,370	14,023	16,576
Dues and subscriptions	5,706	579	715	1,294	7,000
Travel	590	2,692	1,077	3,769	4,359
<b>Total Expenses</b>	<b>\$ 3,793,795</b>	<b>\$ 619,990</b>	<b>\$ 286,091</b>	<b>\$ 906,081</b>	<b>\$ 4,699,876</b>

See accompanying notes to financial statements.

**MINNESOTA ZOO FOUNDATION**

**STATEMENTS OF CASH FLOWS**  
For the Year Ended June 30, 2010

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (1,209,883)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Realized gain on investments	(36,104)
Unrealized gain on investments	(13,815)
Change in beneficial interest in trust	(60,193)
Allowance for doubtful accounts	(56,000)
Pledge receivable discount	(75,387)
Decrease in:	
Contributions receivable	1,268,315
Prepaid expenses and other	2,135
Increase in:	
Accounts payable	13,237
Accrued vacation and other liabilities	15,562
Contributions restricted for long-term investment	<u>(40,780)</u>
Net Cash Flows From Operating Activities	<u>(192,913)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(264,252)
Sale of investments	<u>266,308</u>
Net Cash Flows From Investing Activities	<u>2,056</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds of charitable gift annuity	26,621
Contributions received restricted for long-term investment	<u>40,780</u>
Net Cash Flows From Financing Activities	<u>67,401</u>

**Decrease in Cash and Cash Equivalents** (123,456)

CASH AND CASH EQUIVALENTS - Beginning of Year 1,285,837

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 1,162,381

See accompanying notes to financial statements.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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The primary purpose of Minnesota Zoo Foundation (the "Foundation") is to raise funds for the 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.

#### *Basis of Accounting*

The financial statements are prepared in conformity with U.S. generally accepted accounting principles.

#### *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 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** - Unrestricted net assets include all assets, liabilities, and related revenues and expenses arising from the operations of the Foundation, which are not subject to any donor restrictions. These net assets include both board designated and undesignated amounts. The Board of Trustees has designated \$250,000 at June 30, 2010 for general operating reserves.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets consist of uncollected pledges and unexpended amounts that may be used only after a specified date or only for a specified purpose or both. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Permanently Restricted Net Assets** - Permanently restricted net assets consist of gifts and pledges whose principal balance is required by the donor to remain intact in perpetuity.

#### *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 carried at fair value.



# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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#### *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 temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donations. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the contribution as unrestricted. Contribution revenue for 2010 includes \$1,000,000 from one donor.

#### *Allowance for Uncollectible Accounts*

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 Status*

The Foundation is a tax-exempt organization 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. However, any unrelated business income may be subject to taxation.

In accordance with the accounting standard on Accounting for Uncertainty in Income Taxes, the Foundation addressed the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merit of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income. There were no significant unrecognized tax benefits or recorded liabilities during fiscal year 2010. Open tax years subject to examination by U.S. and state taxing authorities are for the years 2007 to 2009, which statutes expire in 2010 to 2012, respectively.

#### *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 included in investments and is classified as permanently restricted net assets. Distributions received from the trust are recorded as unrestricted investment income. The change in market value is recorded as permanently restricted in the statement of activities.

#### *Fair Value of Financial Instruments*

The carrying amounts reflected on the statement of financial position for contributions receivable and accounts payable approximate fair value due to the short term maturity of these financial instruments. The carrying value of charitable gift annuity is based on life expectancies and present value discounts included in the carrying amount. The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 2.

#### *Functional Allocation of Expenses*

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

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2010

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

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#### *Subsequent Events*

The Foundation has evaluated subsequent events through October 28, 2010 which is the date that the financial statements were issued.

#### *Recently Issued Accounting Standards*

Accounting standards issued within the current year have been evaluated by the Foundation and there is no material impact to the financial statements for these recently issued accounting standards.

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### NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Foundation attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value (currently only investments) will be classified and disclosed in one of the following three categories.

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The following summarizes financial instruments measured at fair value on a recurring basis as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments at Fair Value</u>
Short term investments	\$ -	\$ 13,836	\$ -	\$ 13,836
Mutual funds - bonds	182,439	-	-	182,439
Mutual funds - equities	269,582	-	-	269,582
Beneficial interest in perpetual trust			1,132,636	1,132,636
Total Investments at fair value	<u>\$ 452,021</u>	<u>\$ 13,836</u>	<u>\$ 1,132,636</u>	<u>\$ 1,598,493</u>

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

**Short term investments** - The fair value of short-term investments, consisting of money market funds, is classified as Level 2 as these funds are not traded on a regular basis.

**Mutual funds** - Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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### NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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**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.

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### NOTE 3 - ENDOWMENT

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The Foundation's 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 or operations.

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, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of the Foundation 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 permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent 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

June 30, 2010

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### NOTE 3 - ENDOWMENT (Continued)

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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. 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. Under this policy, as approved by the Board, 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. 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.

The following table summarizes endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 127,975	\$ 436,802	\$ 564,777
Beneficial interest in perpetual trust	-	-	1,132,636	1,132,636
Total endowment net assets	<u>\$ -</u>	<u>\$ 127,975</u>	<u>\$ 1,569,438</u>	<u>\$ 1,697,413</u>

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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### NOTE 3 - ENDOWMENT (Continued)

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Change in endowment net assets for June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets July 1, 2009, as previously reported	\$ -	\$ 80,562	\$ 396,022	\$ 476,584
Restatement of prior year net assets	-	-	1,072,443	1,072,443
Endowment net assets July 1, 2009, as restated	-	80,562	1,468,465	1,549,027
Investment return				
Investment income, net	-	10,082	-	10,082
Net appreciation (realized and unrealized)	-	37,331	-	37,331
Total investment return	-	47,413	-	47,413
Distributions to operations	-	-	-	-
Contributions	-	-	40,780	40,780
Change in beneficial interest in perpetual trust	-	-	60,193	60,193
Endowment net assets, June 30, 2010	<u>\$ -</u>	<u>\$ 127,975</u>	<u>\$ 1,569,438</u>	<u>\$ 1,697,413</u>

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### NOTE 4 - RELATED PARTY TRANSACTIONS

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Grants and distributions paid by the Foundation to the Minnesota Zoological Garden were \$3,147,554 for the year ended June 30, 2010. Additionally, the Foundation donated in-kind items in the amount of \$91,866 for the year ended June 30, 2010.

The Minnesota Zoological Garden provides furnished office space and technical support to the Foundation at no charge.

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### NOTE 5 - LINE OF CREDIT

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The Foundation maintains a \$500,000 bank line-of-credit, secured by all business assets, which expires in June 2011. Interest is charged at the current prime rate. The line of credit balance was \$0 at June 30, 2010.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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### NOTE 6 - CONTRIBUTIONS RECEIVABLE

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Contributions receivable include the following unconditional promises to be collected at June 30, 2010:

In one year or less	\$ 2,048,995
Between one year and five years	952,508
More than five years	1,000
Gross promises to give	<u>3,002,503</u>
Less: Discount to net present value	(50,594)
Allowance for uncollectible promises to give	<u>(154,000)</u>
Net Contributions Receivable	<u>\$ 2,797,909</u>

Promises to give have been discounted using a rate of 4% at June 30, 2010.

Contributions receivable include approximately \$1,650,000 due from three donors. Contributions from Board members of the Foundation and the MN Zoological Garden were approximately \$1,600,000 as of June 30, 2010.

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### NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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Temporarily restricted net assets consisted of amounts for the following as of June 30, 2010:

Zoo programs	\$ 301,885
Capital projects	391,828
Outstanding pledges, unrestricted	<u>2,252,858</u>
	<u>\$ 2,946,571</u>

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### NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

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Permanently restricted net assets consisted of amounts for the following as of June 30, 2010:

Zoomobile endowment	\$ 180,731
General endowment	88,626
Granum fund – exhibit updates	79,441
Kay Kamps fund – animal health	29,042
Volunteer endowment	21,843
Boegnik fund – marine exhibits	9,575
Boardman fund – zoo camp	8,014
Roman education fund – zoomobile or zoo safari	19,530
Beneficial interest in perpetual trust	<u>1,132,636</u>
	<u>\$ 1,569,438</u>

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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### **NOTE 9 - RETIREMENT PLAN**

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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 \$18,110 for the year ended June 30, 2010.

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### **NOTE 10 - DEFERRED GIFT AGREEMENT**

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The Foundation has an arrangement with a donor 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. The Foundation invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the Foundation as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

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. The Foundation used an interest rate of 3.2% in making the calculations for the year ended June 30, 2010.

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### **NOTE 11 - PRIOR PERIOD ADJUSTMENT**

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Net assets at June 30, 2009 have been restated to correct errors related to recognizing the Foundation's share of a previously unrecorded beneficial interest in a perpetual trust in the amount of \$1,072,443 and to correct net asset classification errors by increasing temporarily restricted net assets and decreasing unrestricted net assets by \$2,924,542 to reflect the time restriction element related to outstanding contributions receivable. Generally accepted accounting principles require that unconditional promises to give to be received over multiple years be accounted for as temporarily restricted net assets unless there is explicit language in the pledge documentation that future payments may be used to support current operations. Generally accepted accounting principles also require that a beneficial interest in a perpetual trust held by a third party be recognized as a permanently restricted asset, measured at fair value.

The effect on change in total net assets for the period ending June 30, 2009 was a decrease in net assets of \$112,649, which represents the change in the beneficial interest of the perpetual trust as if it had been recorded.