

# **MINNESOTA ZOO FOUNDATION**

Apple Valley, Minnesota

**FINANCIAL STATEMENTS**  
Including Independent Auditors' Report

June 30, 2011 and 2010

# MINNESOTA ZOO FOUNDATION

## TABLE OF CONTENTS

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Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expense	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Minnesota Zoo Foundation  
Apple Valley, Minnesota

We have audited the accompanying statements of financial position of Minnesota Zoo Foundation (the Foundation) as of June 30, 2011 and 2010, and the related statements of activities, 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 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, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
October 17, 2011

**MINNESOTA ZOO FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2011 and 2010

<b>ASSETS</b>	2011	2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,126,211	\$ 1,162,381
Contributions receivable	978,713	2,048,995
Prepaid expenses and other	24,894	12,746
Total Current Assets	3,129,818	3,224,122
<b>NON CURRENT ASSETS</b>		
Contributions receivable	647,552	748,914
Investments	725,683	465,857
Beneficial interest in perpetual trust	1,242,930	1,132,636
<b>TOTAL ASSETS</b>	<b>\$ 5,745,983</b>	<b>\$ 5,571,529</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 26,804	\$ 24,795
Accrued vacation and other liabilities	57,934	61,399
Total Current Liabilities	84,738	86,194
<b>NON CURRENT LIABILITIES</b>		
Charitable gift annuity	50,188	26,621
Total Liabilities	134,926	112,815
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	956,553	692,705
Board designated	250,000	250,000
Total unrestricted	1,206,553	942,705
Temporarily restricted	2,702,967	2,946,571
Permanently restricted	1,701,537	1,569,438
Total Net Assets	5,611,057	5,458,714
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,745,983</b>	<b>\$ 5,571,529</b>

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

(with comparative totals for 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>					
Contributions and grants	\$ 1,657,082	\$ 2,737,097	\$ 1,382	\$ 4,395,561	\$ 2,767,023
In-kind contributions	250,141	-	-	250,141	115,461
Special events, net	379,797	160,129	20,423	560,349	462,710
Investment income, net of fees of \$11,456 and \$12,492 for 2011 and 2010, respectively	2,779	155,699	-	158,478	84,606
Change in beneficial interest in trust	-	-	110,294	110,294	60,193
Other income	54,949	-	-	54,949	-
Net assets released from restrictions					
Satisfaction of capital restrictions	319,855	(319,855)	-	-	-
Satisfaction of program restrictions	1,280,689	(1,280,689)	-	-	-
Satisfaction of time restrictions	1,695,985	(1,695,985)	-	-	-
Total Support and Revenue	5,641,277	(243,604)	132,099	5,529,772	3,489,993
<b>EXPENSE</b>					
Program services	4,427,933	-	-	4,427,933	3,793,795
Support services					
Management and general	660,654	-	-	660,654	619,990
Fundraising	288,842	-	-	288,842	286,091
Total support services	949,496	-	-	949,496	906,081
Total Expense	5,377,429	-	-	5,377,429	4,699,876
<b>CHANGE IN NET ASSETS</b>					
	263,848	(243,604)	132,099	152,343	(1,209,883)
Net Assets - Beginning of Year	942,705	2,946,571	1,569,438	5,458,714	6,668,597
<b>NET ASSETS - END OF YEAR</b>	\$ 1,206,553	\$ 2,702,967	\$ 1,701,537	\$ 5,611,057	\$ 5,458,714

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, net of fees of \$12,492	2,891	81,715	-	84,606
Net assets released from restrictions	341,149	(341,149)	-	-
Satisfaction of capital restrictions	2,460,898	(2,460,898)	-	-
Satisfaction of program restrictions	651,907	(651,907)	-	-
Satisfaction of time restrictions	-	-	-	-
Total Support and Revenue	<u>4,884,767</u>	<u>(1,495,747)</u>	<u>100,973</u>	<u>3,489,993</u>
<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	<u>906,081</u>	<u>-</u>	<u>-</u>	<u>906,081</u>
Total Expense	4,699,876	-	-	4,699,876
<b>CHANGE IN NET ASSETS</b>				
Net Assets - Beginning of Year	184,891	(1,495,747)	100,973	(1,209,883)
	<u>757,814</u>	<u>4,442,318</u>	<u>1,468,465</u>	<u>6,668,597</u>
<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, 2011

	2011				2010			
	Total Program Services	Support Services			Total Program Services	Support Services		
		Management and General	Fundraising	Total Support Services		Management and General	Fundraising	Total Support Services
				Total Expenses			Total Expenses	
Zoo Program distributions - unrestricted	\$ 2,551,967	\$ -	\$ -	\$ 2,551,967	\$ 680,700	\$ -	\$ 680,700	
Zoo Program distributions - restricted	1,421,077	-	-	1,421,077	2,558,720	-	2,558,720	
Personnel costs	121,592	533,016	110,121	764,729	109,297	600,433	709,730	
Other grants	125,229	-	-	125,229	151,239	-	151,239	
Contract and professional services	102,278	53,111	21,032	176,421	212,311	52,911	265,222	
Supplies, printing and postage	23,686	23,877	58,426	105,989	18,101	88,177	106,278	
Special events	64,169	-	79,265	143,434	34,103	75,283	109,386	
Bad debts and NSF	5	21	4	30	5,855	5,437	38,020	
Rent	3,168	13,888	2,869	19,925	1,790	1,662	11,624	
Miscellaneous	3,704	15,615	3,226	22,545	12,830	3,027	27,832	
Donor cultivation and recognition	870	-	9,236	10,106	-	13,190	13,190	
Bank fees	3,398	14,896	3,078	21,372	2,553	14,023	16,576	
Dues and subscriptions	6,113	1,845	406	8,364	5,706	1,294	7,000	
Travel	677	2,967	1,179	4,823	590	1,077	4,359	
Change in actuarial value of gift annuities	-	1,418	-	1,418	-	-	-	
<b>Total Expenses</b>	<b>\$ 4,427,933</b>	<b>\$ 660,654</b>	<b>\$ 288,842</b>	<b>\$ 5,377,429</b>	<b>\$ 3,793,795</b>	<b>\$ 286,091</b>	<b>\$ 4,699,876</b>	

See accompanying notes to financial statements.

MINNESOTA ZOO FOUNDATION

STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 152,343	\$ (1,209,883)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions received restricted for long-term investment	(21,806)	(40,780)
Realized gain on investments	(14,575)	(36,104)
Unrealized gain on investments	(93,028)	(13,815)
Change in beneficial interest in trust	(110,294)	(60,193)
Allowance for doubtful accounts	(66,500)	(56,000)
Pledge receivable discount	(13,028)	(75,387)
Interest on charitable gift annuity	1,418	-
Change in:		
Contributions receivable	1,251,172	1,268,315
Prepaid expenses and other	(12,148)	2,135
Accounts payable	2,009	13,237
Accrued vacation and other liabilities	(3,465)	15,562
Net Cash Flows From Operating Activities	<u>1,072,098</u>	<u>(192,913)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(319,705)	(264,252)
Sale of investments	167,482	266,308
Net Cash Flows From Investing Activities	<u>(152,223)</u>	<u>2,056</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of charitable gift annuity	22,149	26,621
Contributions received restricted for long-term investment	21,806	40,780
Net Cash Flows From Financing Activities	<u>43,955</u>	<u>67,401</u>
<b>Net Change in Cash and Cash Equivalents</b>	963,830	(123,456)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,162,381</u>	<u>1,285,837</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,126,211</u>	<u>\$ 1,162,381</u>

See accompanying notes to financial statements.



# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011 and 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 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:

**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, 2011 for general operating reserves.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets consist of uncollected long-term pledges receivable 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, 2011 and 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 2011 includes \$1,000,000 from one donor.

#### *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 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 2011. Open tax years subject to examination by U.S. and state taxing authorities are for the years 2008 to 2010, which statutes expire in 2011 to 2013, 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 investment income temporarily restricted for education, until appropriated to operations. 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 benefitted. Allocations are made largely based on actual time allocations prepared by the Foundation's employees.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011 and 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 17, 2011 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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments at Fair Value</u>
Money market funds	\$ -	\$ 33,037	\$ -	\$ 33,037
Mutual funds - bonds	267,043	-	-	267,043
Mutual funds - equities	425,603	-	-	425,603
Beneficial interest in perpetual trust	-	-	1,242,930	1,242,920
Total Investments at fair value	<u>\$ 692,646</u>	<u>\$ 33,037</u>	<u>\$ 1,242,930</u>	<u>\$ 1,968,613</u>

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011 and 2010

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

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

	Level 1	Level 2	Level 3	Investments at Fair Value
Money market funds	\$ -	\$ 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:

**Money market funds** - The fair value 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.

**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 statement of financial position.

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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.

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011 and 2010

### NOTE 3 - ENDOWMENT (Continued)

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

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, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 232,556	\$ 458,607	\$ 691,163
Beneficial interest in perpetual trust	-	-	1,242,930	1,242,930
Total endowment net assets	<u>\$ -</u>	<u>\$ 232,556</u>	<u>\$ 1,701,537</u>	<u>\$ 1,934,093</u>

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011 and 2010

### NOTE 3 - ENDOWMENT (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	\$ -	\$ 127,975	\$ 1,569,438	\$ 1,697,413

Change in endowment net assets for June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	\$ -	\$ 127,975	\$ 1,569,438	\$ 1,697,413
Investment return				
Investment income, net	-	48,937	-	48,937
Net appreciation (realized and unrealized)	-	106,762	-	106,762
Total investment return	-	155,699	-	155,699
Distributions to operations	-	(51,118)	-	(51,118)
Contributions	-	-	1,381	1,381
Special event income, net	-	-	20,424	20,424
Change in beneficial interest in perpetual trust	-	-	110,294	110,294
Endowment net assets, June 30, 2011	\$ -	\$ 232,556	\$ 1,701,537	\$ 1,934,093

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2009	\$ -	\$ 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	\$ -	\$ 127,975	\$ 1,569,438	\$ 1,697,413

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011 and 2010

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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 \$3,752,015 and \$3,147,554 for the years ended June 30, 2011 and 2010, respectively. Additionally, the Foundation donated in-kind items in the amount of \$221,029 and \$91,866 for the years ended June 30, 2011 and 2010, 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 and \$11,624 for the years ended June 30, 2011 and 2010, respectively.

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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 2012. Interest is charged at the current prime rate. The line of credit balance was \$0 at June 30, 2011 and 2010. No amounts were withdrawn from the line of credit during 2011 or 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:

	2011	2010
In one year or less	\$ 978,713	\$ 2,048,995
Between on year and five years	772,618	952,508
More than five years	-	1,000
Gross promises to give	1,751,331	3,002,503
Less: Discount to net present value	(37,566)	(50,594)
Allowance for uncollectible contributions receivable	(87,500)	(154,000)
Net Contributions Receivable	<u>\$ 1,626,265</u>	<u>\$ 2,797,909</u>

Promises to give have been discounted using rates of 2 - 3%, depending on length of pledge at June 30, 2011 and 4% at June 30, 2010.

Contributions receivable at June 30, 2011 include approximately \$952,500 due from 4 donors. Contributions from Board members of the Foundation and the MN Zoological Garden were approximately \$250,000 as of June 30, 2011.

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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:

	2011	2010
Zoo programs	\$ 2,063,472	\$ 301,885
Capital projects	99,973	391,828
Outstanding pledges, time restricted	539,522	2,252,858
	<u>\$ 2,702,967</u>	<u>\$ 2,946,571</u>

# MINNESOTA ZOO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS June 30, 2011 and 2010

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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:

	<u>2011</u>	<u>2010</u>
Zoomobile endowment	\$ 180,731	\$ 180,731
General endowment	88,626	88,626
Granum fund – exhibit updates	79,441	79,441
Kay Kamps fund – animal health	29,042	29,042
Volunteer endowment	22,343	21,843
Boegnik fund – marine exhibits	9,775	9,575
Boardman fund – zoo camp	8,214	8,014
Roman education fund – zoomobile or zoo safari	40,435	19,530
Beneficial interest in perpetual trust	<u>1,242,930</u>	<u>1,132,636</u>
	<u>\$ 1,701,537</u>	<u>\$ 1,569,438</u>

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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 \$19,161 and \$18,110 for the years ended June 30, 2011 and 2010, respectively.

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### NOTE 10 - DEFERRED GIFT AGREEMENTS

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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. The Foundation used historical discount rates of 2.8 - 3.0% in making the calculations for the year ended June 30, 2011, and 3.2% for the calculations for the year ended June 30, 2010.