

Minnesota Zoo Foundation

Apple Valley, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2007 and 2006

Carpenter Evert
Certified Public Accountants



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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, 2007 and 2006, 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, 2007 and 2006, 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
October 1, 2007

EXHIBIT A

MINNESOTA ZOO FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007			2006				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Contributions	\$ 1,575,074	\$ 1,339,343	\$ 19,141	\$ 2,933,558	\$ 809,608	\$ 821,909	\$ 36,865	\$ 1,668,382
Government Grants	524,353	-	-	524,353	-	-	-	-
In-kind Contributions	35,877	-	-	35,877	52,166	-	-	52,166
Special Events (Net of Direct Benefit to Donors of \$55,146 and \$36,230 in 2007 and 2006, respectively)	397,044	-	-	397,044	375,775	-	-	375,775
Investment Income	39,915	-	-	39,915	18,043	-	-	18,043
Other Income	78	-	-	78	121	-	-	121
Net Assets Released from Restrictions:								
Satisfaction of Capital Restrictions	8,604	(8,604)	-	-	135,301	(135,301)	-	-
Satisfaction of Program Restrictions	845,032	(845,032)	-	-	598,011	(598,011)	-	-
Total Support and Revenue	3,425,977	485,707	19,141	3,930,825	1,989,025	88,597	36,865	2,114,487
Expense:								
Program Services	1,805,796	-	-	1,805,796	1,282,515	-	-	1,282,515
Support Services:								
Management and General Fundraising	454,964	-	-	454,964	208,490	-	-	208,490
Total Support Services	191,571	-	-	191,571	330,392	-	-	330,392
Total Expense	646,535	-	-	646,535	538,882	-	-	538,882
	2,452,331	-	-	2,452,331	1,821,397	-	-	1,821,397
Change in Net Assets	973,646	485,707	19,141	1,478,494	167,628	88,597	36,865	293,090
Net Assets - Beginning of Year	447,759	215,161	329,381	992,301	280,131	126,564	292,516	699,211
Net Assets - End of Year	\$ 1,421,405	\$ 700,868	\$ 348,522	\$ 2,470,795	\$ 447,759	\$ 215,161	\$ 329,381	\$ 992,301

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, 2007
WITH COMPARATIVE TOTALS FOR 2006

	2007				2006	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Zoo Program Distributions - Restricted	\$ 709,666	\$ -	-	\$ -	\$ 709,666	\$ 507,596
Zoo Program Distributions - Unrestricted	488,136	-	-	-	488,136	341,665
Personnel Costs	89,500	299,107	75,125	374,232	463,732	274,919
Other Grants	296,867	-	-	-	296,867	159,624
Contract and Professional Services	140,749	33,221	1,999	35,220	175,969	326,160
Supplies, Printing and Postage	38,915	63,008	37,185	100,193	139,108	94,759
Special Events	14,834	-	45,716	45,716	60,550	62,673
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	18,480
Miscellaneous	3,259	10,346	2,859	13,205	16,464	22,904
Donor Cultivation and Recognition	-	-	11,685	11,685	11,685	2,920
Bank Fees	1,227	4,102	5,397	9,499	10,726	4,134
Dues and Subscriptions	8,614	707	178	885	9,499	1,867
Travel	1,140	1,400	609	2,009	3,149	3,372
Telephone	-	-	-	-	-	324
Total Expense	\$ 1,805,796	\$ 454,964	\$ 191,571	\$ 646,535	\$ 2,452,331	\$ 1,821,397

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, 2006

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Zoo Program Distributions - Restricted	\$ 507,596	\$ -	\$ -	\$ -	\$ 507,596
Zoo Program Distributions - Unrestricted	341,665	-	-	-	341,665
Personnel Costs	41,238	70,104	163,577	233,681	274,919
Other Grants	159,624	-	-	-	159,624
Contract and Professional Services	219,157	97,003	10,000	107,003	326,160
Supplies, Printing and Postage	6,530	26,469	61,760	88,229	94,759
Special Events	5,336	-	57,337	57,337	62,673
Rent	-	5,544	12,936	18,480	18,480
Miscellaneous	674	6,669	15,561	22,230	22,904
Donor Cultivation and Recognition	-	-	2,920	2,920	2,920
Bank Fees	-	1,240	2,894	4,134	4,134
Dues and Subscriptions	695	352	820	1,172	1,867
Travel	-	1,012	2,360	3,372	3,372
Telephone	-	97	227	324	324
Total Expense	\$ 1,282,515	\$ 208,490	\$ 330,392	\$ 538,882	\$ 1,821,397

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

MINNESOTA ZOO FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and Cash Equivalents	\$ 722,145	\$ 773,331
Pledges Receivable	618,486	55,784
Prepaid Expense	24,125	2,263
Total Current Assets	<u>1,364,756</u>	<u>831,378</u>
Investments	273,400	201,128
Pledges Receivable - Net	<u>904,197</u>	<u>31,731</u>
 TOTAL ASSETS	 <u><u>\$ 2,542,353</u></u>	 <u><u>\$ 1,064,237</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 44,040	\$ 60,313
Accrued Vacation	27,518	11,623
Total Current Liabilities	<u>71,558</u>	<u>71,936</u>
Net Assets:		
Unrestricted:		
Designated	250,000	250,000
Undesignated	1,171,405	197,759
Total Unrestricted	<u>1,421,405</u>	<u>447,759</u>
Temporarily Restricted	700,868	215,161
Permanently Restricted	348,522	329,381
Total Net Assets	<u>2,470,795</u>	<u>992,301</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,542,353</u></u>	 <u><u>\$ 1,064,237</u></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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>Increase in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,478,494	\$ 293,090
Total Adjustments	<u>(1,476,549)</u>	<u>30,836</u>
Net Cash Provided (Used) by Operating Activities	1,945	323,926
Cash Flows from Investing Activities:		
Purchase of Investments	(72,272)	(83,382)
Permanently Restricted Contributions	<u>19,141</u>	<u>67,375</u>
Net Cash (Used) by Investing Activities	<u>(53,131)</u>	<u>(16,007)</u>
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(51,186)	307,919
Cash and Cash Equivalents - Beginning of Year	<u>773,331</u>	<u>465,412</u>
Cash and Cash Equivalents - End of Year	<u>\$ 722,145</u>	<u>\$ 773,331</u>

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

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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, 2007 AND 2006

1. Summary of Significant Accounting Policies (continued)

Investments

Short-term, long-term and other restricted investments consist of short-term money market accounts and mutual funds 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, 2007 AND 2006

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, 2007 and 2006, the Foundation held funds at a local financial institution in excess of federally insured limits.

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

3. Related Party Transactions

Grants and distributions paid by the Foundation to the Minnesota Zoological Garden were \$1,175,690 and \$876,338 for the years ended June 30, 2007 and 2006, 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,	
	2007	2006
Rental Space	\$ 18,480	\$ 18,480
Supplies, Printing and Postage	1,400	5,300
Total	\$ 19,880	\$ 23,780

4. Line-of-Credit

The Foundation maintains a \$100,000 line-of-credit with US Bank, which expires July 2007. Interest is equal to the current prime rate. The balance was \$-0- for both June 30, 2007 and 2006.

5. Pledges Receivable

The outstanding balance of pledges receivable at June 30, 2007, is expected to be collected over the following fiscal years:

<u>Due in the Year Ending June 30,</u>	
2008	\$ 668,486
2009	474,263
2010	177,493
2011	196,120
2012	125,163
2013 and beyond	3,437
	1,644,962
Less: Allowance for Doubtful Accounts	50,000
Discount at 4%	72,279
Net Amount	1,522,683
Current Portion	618,486
Non-current Portion	\$ 904,197

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

6. Designated Net Assets

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

	June 30,	
	2007	2006
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,	
	2007	2006
Zoo Programs	\$ 645,138	\$ 150,843
Capital Projects	55,730	64,318
	\$ 700,868	\$ 215,161

8. Permanently Restricted Net Assets

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

	June 30,	
	2007	2006
Zoomobile Endowment	\$ 130,731	\$ 130,731
Granum Fund	77,441	65,700
General Endowment	73,626	68,626
Kay Kamps Fund	29,042	29,042
Volunteer Endowment	21,843	20,843
Boegnik Fund	8,425	7,225
Boardman Fund	7,414	7,214
	\$ 348,522	\$ 329,381

9. Retirement Plan

The Foundation adopted a 401(k) retirement plan beginning July 1, 2004, for the benefit of all employees meeting minimum eligibility requirements. The Foundation's contributions to the plan were \$1,517 and \$3,049 for the years ended June 30, 2007 and 2006, respectively.

MINNESOTA ZOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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>2007</u>	<u>2006</u>
Permanently Restricted Contributions	\$ (19,141)	\$ (67,375)
Pledges Receivable	(943,475)	33,000
Allowance for Doubtful Accounts	48,000	-
Pledges Receivable Discount	71,009	(2,490)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(16,273)	44,088
Accrued Vacation	15,895	8,265
Decreases (Increases) in Current Assets:		
Pledges Receivable	(610,702)	8,317
Prepaid Expense	(21,862)	7,031
Total Adjustments	<u>\$(1,476,549)</u>	<u>\$ 30,836</u>