

Minnesota Zoo Foundation

Financial Statements

June 30, 2022 and 2021

Minnesota Zoo Foundation

Table of Contents
June 30, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditors' Report

To the Board of Trustees of
Minnesota Zoo Foundation

Opinion

We have audited the financial statements of Minnesota Zoo Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Minneapolis, Minnesota
January 18, 2023

Minnesota Zoo Foundation

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,638,260	\$ 9,890,291
Contributions receivable, net	3,071,910	1,623,423
Prepaid expenses and other	6,692	25,974
	<u>11,716,862</u>	<u>11,539,688</u>
Total current assets	11,716,862	11,539,688
Noncurrent Assets		
Contributions receivable, net	2,286,214	1,936,342
Investments	2,308,441	2,672,947
Beneficial interest in perpetual trust	1,309,795	1,605,126
	<u>5,904,450</u>	<u>6,214,415</u>
Total noncurrent assets	5,904,450	6,214,415
Total assets	<u>\$ 17,621,312</u>	<u>\$ 17,754,103</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 417,487	\$ 32,804
Accrued vacation and other liabilities	71,034	70,954
Deferred revenue	100,000	690,000
	<u>588,521</u>	<u>793,758</u>
Total current liabilities	588,521	793,758
Noncurrent Liabilities		
Deferred compensation payable	75,000	-
Charitable gift annuity	34,374	39,654
	<u>109,374</u>	<u>39,654</u>
Total noncurrent liabilities	109,374	39,654
Total liabilities	<u>697,895</u>	<u>833,412</u>
Net Assets		
Without donor restrictions:		
Undesignated	3,603,625	3,051,114
Board designated	2,003,570	1,966,904
	<u>5,607,195</u>	<u>5,018,018</u>
Total without donor restrictions	5,607,195	5,018,018
With donor restrictions	<u>11,316,222</u>	<u>11,902,673</u>
Total net assets	<u>16,923,417</u>	<u>16,920,691</u>
Total liabilities and net assets	<u>\$ 17,621,312</u>	<u>\$ 17,754,103</u>

See notes to financial statements

Minnesota Zoo Foundation

Statement of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and grants	\$ 3,075,491	\$ 7,486,718	\$ 10,562,209	\$ 3,278,699	\$ 3,322,285	\$ 6,600,984
Bequests	63,172	-	63,172	447,746	-	447,746
In-kind contributions	150,919	-	150,919	129,424	-	129,424
Special events, net of donor benefit of \$163,875 and \$0 for 2022 and 2021, respectively	725,943	-	725,943	604,323	-	604,323
Investment return	(107,114)	(192,186)	(299,300)	129,610	371,478	501,088
Change in beneficial interest in perpetual trust	-	(295,331)	(295,331)	-	304,831	304,831
Miscellaneous income	11,577	-	11,577	5,581	-	5,581
PPP loan forgiveness	-	-	-	231,435	-	231,435
Net assets released from restrictions:						-
Satisfaction of capital restrictions	6,690,943	(6,690,943)	-	2,882,222	(2,882,222)	-
Satisfaction of program restrictions	894,709	(894,709)	-	543,554	(543,554)	-
Total support and revenue	11,505,640	(586,451)	10,919,189	8,252,594	572,818	8,825,412
Expenses						
Program services	8,893,047	-	8,893,047	3,756,923	-	3,756,923
Support services:						
Management and general	1,177,628	-	1,177,628	928,628	-	928,628
Fundraising	845,788	-	845,788	352,935	-	352,935
Total support services	2,023,416	-	2,023,416	1,281,563	-	1,281,563
Total expenses	10,916,463	-	10,916,463	5,038,486	-	5,038,486
Change in net assets	589,177	(586,451)	2,726	3,214,108	572,818	3,786,926
Net Assets, Beginning	5,018,018	11,902,673	16,920,691	1,803,910	11,329,855	13,133,765
Net Assets, Ending	\$ 5,607,195	\$ 11,316,222	\$ 16,923,417	\$ 5,018,018	\$ 11,902,673	\$ 16,920,691

See notes to financial statements

Minnesota Zoo Foundation

Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	2022					2021				
	Support Services					Support Services				
	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Zoo Program distributions, without donor restrictions	\$ 310,484	\$ -	\$ -	\$ -	\$ 310,484	\$ 90,527	\$ -	\$ -	\$ -	\$ 90,527
Zoo Program distributions, with donor restrictions	6,639,894	-	-	-	6,639,894	3,179,732	-	-	-	3,179,732
Non-Zoo distributions	1,400,789	-	-	-	1,400,789	271,717	-	-	-	271,717
Personnel costs	202,036	977,974	175,638	1,153,612	1,355,648	5,745	723,919	91,105	815,024	820,769
Other grants	91,652	-	-	-	91,652	110,232	-	-	-	110,232
Contract and professional services	231,870	86,227	436,569	522,796	754,666	98,310	93,392	146,572	239,964	338,274
Supplies, printing and postage	837	4,378	148,990	153,368	154,205	400	29,930	63,663	93,593	93,993
Rent	2,331	16,638	956	17,594	19,925	139	17,575	2,212	19,787	19,926
Miscellaneous	503	37,382	6,672	44,054	44,557	117	11,343	1,856	13,199	13,316
Donor cultivation and recognition	-	-	75,756	75,756	75,756	-	-	20,800	20,800	20,800
Bank and merchant fees	-	42,389	-	42,389	42,389	-	48,936	-	48,936	48,936
Dues and subscriptions	1,324	9,450	543	9,993	11,317	4	445	26,444	26,889	26,893
Travel	11,327	225	664	889	12,216	-	123	283	406	406
Change in actuarial value of gift annuities	-	2,965	-	2,965	2,965	-	2,965	-	2,965	2,965
Total expenses	<u>\$ 8,893,047</u>	<u>\$ 1,177,628</u>	<u>\$ 845,788</u>	<u>\$ 2,023,416</u>	<u>\$ 10,916,463</u>	<u>\$ 3,756,923</u>	<u>\$ 928,628</u>	<u>\$ 352,935</u>	<u>\$ 1,281,563</u>	<u>\$ 5,038,486</u>

See notes to financial statements

Minnesota Zoo Foundation

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 2,726	\$ 3,786,926
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions restricted for long-term investment	(51,915)	(5,177)
Realized and unrealized losses (gains) on investments	386,214	(437,203)
Change in beneficial interest in perpetual trust	295,331	(304,831)
Allowance for uncollectible contributions receivable	1,700	3,800
Contributions receivable discount	(900)	3,600
PPP loan forgiveness	-	(231,435)
Amortization of charitable gift annuity	2,964	2,965
Change in:		
Contributions receivable	(1,799,159)	588,511
Prepaid expenses and other	19,282	8,624
Accounts payable	384,683	(12,824)
Accrued vacation and other liabilities	80	(25,635)
Deferred compensation payable	75,000	-
Deferred revenue	(590,000)	530,750
Net cash flows from operating activities	<u>(1,273,994)</u>	<u>3,908,071</u>
Cash Flows From Investing Activities		
Purchases of investments	(1,770,677)	(2,379,638)
Sales of investments	1,748,969	2,354,969
Net cash flows from investing activities	<u>(21,708)</u>	<u>(24,669)</u>
Cash Flows From Financing Activities		
Charitable gift annuity payments	(8,244)	(8,244)
Contributions received restricted for long-term investment	51,915	5,177
Net cash flows from financing activities	<u>43,671</u>	<u>(3,067)</u>
Net change in cash and cash equivalents	(1,252,031)	3,880,335
Cash and Cash Equivalents, Beginning	<u>9,890,291</u>	<u>6,009,956</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 8,638,260</u></u>	<u><u>\$ 9,890,291</u></u>

See notes to financial statements

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

1. Basis of Presentation and Summary of Significant Accounting Policies

The primary purpose of Minnesota Zoo Foundation (the Foundation) is to raise funds for the Minnesota Zoological Garden and related conservation organizations.

The Foundation solicits contributions which are administered by the Foundation's 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:

Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the Foundation and/or the passage of time or maintained in perpetuity by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Board Designated Net Assets

The Foundation's Board of Trustees has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Trustees at any time. Board designated net assets at both June 30, 2022 and 2021 \$2,003,570 and \$1,966,904, respectively.

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 funds, fixed income security funds and equity mutual funds and are recorded at fair value.

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

Revenues and Support

Unconditional contributions, including promises to give, are recognized as revenue in the period received and are reported in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions that include a measurable barrier or those for which the Foundation has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met, in accordance with donor restrictions. Amounts received prior to conditions being met are reported as deferred revenue in the statement of financial position.

The Foundation reports gifts of cash and other assets as additions to net assets with donor restrictions if they are received with donor stipulations that limit the use of the donations. Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenues in the net assets with donor restrictions class and a release to net assets without donor restrictions is made to reflect the expiration of such restrictions.

Deferred Revenue

Deferred revenue represents payments received for Foundation special events prior to the scheduled event. The Foundation also received a \$100,000 payment for a conditional contribution whose barriers have not been met as of June 30, 2022.

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-Exempt Status

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Foundation has been classified as a publicly supported charitable organization under Section 509(A)(1) of the Code and charitable contributions are deductible by donors.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of June 30, 2022 and 2021. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

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 is classified as net assets with donor restrictions. Distributions received from the trust are recorded as investment income with donor restrictions for education, until appropriated to operations. The change in market value is recorded as net assets with donor restrictions in the statements of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses such as personnel costs, supplies, postage, rent and travel have been allocated among the programs and services benefitted. Allocations are made largely based on actual time allocations prepared by the Foundation's employees.

New Accounting Pronouncement Adopted in Current Year

The Foundation adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as of June 30, 2022. This standard improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of this standard did not have a material impact on the Foundation's financial statements. The additional required disclosures have been added in Note 11.

Subsequent Events

The Foundation has evaluated subsequent events through January 18, 2023 which is the date that the financial statements were approved and available to be issued.

2. Liquidity and Availability of Financial Resources

As of June 30, 2022 and 2021, financial assets available within one year of the statement of financial position date for operating expenses and general obligations are as follows:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 8,638,260	\$ 9,890,291
Contributions receivable	5,358,124	3,559,765
Investments and beneficial interest in perpetual trust	3,618,236	4,278,073
Financial assets at June 30	17,614,620	17,728,129
Less board designated net assets and beneficial interest in perpetual trust unavailable for general expenditures within one year	(3,313,365)	(3,572,030)
Less contributions receivable not collectable within one year	(2,286,214)	(1,936,342)
Available to meet general expenditures within one year	<u>\$ 12,015,041</u>	<u>\$ 12,219,757</u>

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

The Foundation's cash flows have seasonal variations during the year primarily due to timing of special events, contributions and grants. The Foundation's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due. Board designated net assets could be made available by Board of Trustee action if necessary.

3. Investments and Fair Value Measurements

The summary of the investment return for the years ended June 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends income, net	\$ 86,914	\$ 63,885
Realized loss on investments	<u>(356,136)</u>	<u>(52,454)</u>
	(269,222)	11,431
Unrealized gain (loss) on investments	<u>(30,078)</u>	<u>489,657</u>
Total investment return	<u>\$ (299,300)</u>	<u>\$ 501,088</u>

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include the reporting entity's own data.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

	June 30, 2022			
	Level 1	Level 2	Level 3	Investments at Fair Value
Money market funds ⁽¹⁾	\$ 265,823	\$ -	\$ -	\$ 265,823
Fixed income security funds	889,322	-	-	889,322
Mutual funds, equities:				
Large cap	633,462	-	-	633,462
Mid cap	431,882	-	-	431,882
Small cap	91,622	-	-	91,622
International	254,816	-	-	254,815
Total mutual funds, equities	2,566,927	-	-	2,566,927
Beneficial interest in perpetual trust	-	-	1,309,795	1,309,795
Total investments at fair value	<u>\$ 2,566,927</u>	<u>\$ -</u>	<u>\$ 1,309,795</u>	<u>\$ 3,876,722</u>

⁽¹⁾ \$258,486 of the money market funds are included in cash equivalents on the statement of financial position.

	June 30, 2021			
	Level 1	Level 2	Level 3	Investments at Fair Value
Money market funds ⁽¹⁾	\$ 350,486	\$ -	\$ -	\$ 350,486
Fixed income security funds	970,810	-	-	970,810
Mutual funds, equities:				
Large cap	1,021,546	-	-	1,021,546
Mid cap	185,542	-	-	185,542
Small cap	107,801	-	-	107,801
International	295,232	-	-	295,232
Total mutual funds, equities	2,931,417	-	-	2,931,417
Beneficial interest in perpetual trust	-	-	1,605,126	1,605,126
Total investments at fair value	<u>\$ 2,931,417</u>	<u>\$ -</u>	<u>\$ 1,605,126</u>	<u>\$ 4,536,543</u>

⁽¹⁾ \$258,470 of the money market funds are included in cash equivalents on the statement of financial position.

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

Money market funds, fixed income security funds and mutual funds: Money market funds, fixed income security funds and 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, 2022 and 2021

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 statements of financial position.

There were no purchases, issuances or transfers of Level 3 assets during the years ended June 30, 2022 and 2021.

4. Endowment

The Foundation's endowment consists of donor restricted funds established for the following purposes:

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

Time restricted funds are the accumulation of earnings from the restricted in perpetuity 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 Trustees to function as endowments, if any, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Trustees 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 net assets with donor restrictions (a) the original value of the gifts donated to the in perpetuity endowment, (b) the original value of subsequent gifts to the in perpetuity endowment and (c) accumulations to the in perpetuity 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, 2022 and 2021

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. The Foundation has a policy of generally appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 12 quarters. 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, if any. Under this policy, as approved by the Board of Trustees, 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 of the Board of Trustees. 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.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the UPMIFA requires Minnesota Zoo Foundation to retain as a fund of perpetual duration. There was one underwater endowment with a fair value of \$41,121 and the corpus amount of \$50,000 as of June 30, 2022. There were no underwater endowment investments reported as of June 30, 2021.

The following tables summarize endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 1,262,171	\$ 1,262,171
Total endowment net assets	\$ -	\$ 1,262,171	\$ 1,262,171
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 1,524,895	\$ 1,524,895
Total endowment net assets	\$ -	\$ 1,524,895	\$ 1,524,895

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

Change in endowment net assets for the year ended June 30, 2022 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ -	\$ 1,524,895	\$ 1,524,895
Investment return:			
Investment income, net	-	16,051	16,051
Net depreciation (realized and unrealized)	-	(267,572)	(267,572)
Total investment return	-	(251,521)	(251,521)
Distributions to operations	-	(63,118)	(63,118)
Contributions	-	51,915	51,915
Endowment net assets, June 30, 2022	\$ -	\$ 1,262,171	\$ 1,262,171

Change in endowment net assets for the year ended June 30, 2021 is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ -	\$ 1,203,348	\$ 1,203,348
Investment return:			
Investment income, net	-	13,390	13,390
Net appreciation (realized and unrealized)	-	358,088	358,088
Total investment return	-	371,478	371,478
Distributions to operations	-	(55,108)	(55,108)
Contributions	-	5,177	5,177
Endowment net assets, June 30, 2021	\$ -	\$ 1,524,895	\$ 1,524,895

5. Related-Party Transactions

Grants and distributions paid by the Foundation to the Minnesota Zoological Garden were \$6,950,378 and \$3,270,259 for the years ended June 30, 2022 and 2021, respectively. This includes donated in-kind items in the amount of \$130,993 and \$109,498 for the years ended June 30, 2022 and 2021, 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 for the years ended June 30, 2022 and 2021.

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

6. Paycheck Protection Program Note Payable

On May 5, 2020, the Foundation entered into a new loan facility under the recent government enacted Paycheck Protection Program (PPP) (part of the Coronavirus Aid, Relief and Economic Stability Act) administered by the Small Business Administration (SBA). The Foundation borrowed \$231,435 under the loan facility. The loan carried a fixed interest rate of 1% and was to mature on May 5, 2022. Subsequent regulations deferred payments until the date on which the amount of forgiveness is remitted to the lender or, if the Foundation fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. Borrowings under this facility were unsecured. Loans under the PPP have a loan forgiveness feature based on the level of payroll, rent and utilities costs over a twenty-four week period commencing on the date of the loan. The PPP loan was recorded as a note payable in the June 30, 2020 statement of financial position. On April 7, 2021, the Foundation received notification from the SBA that the loan had been fully forgiven. The \$231,435 was recorded as PPP loan forgiveness in the June 30, 2021 statement of activities.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

7. Contributions Receivable, Net

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

	2022	2021
In one year or less	\$ 3,100,310	\$ 1,623,422
Between one year and five years	2,316,814	1,996,143
Gross promises to give	5,417,124	3,619,565
Less discount to net present value	(30,600)	(29,700)
Less allowance for uncollectible contributions receivable	(28,400)	(30,100)
Net contributions receivable	\$ 5,358,124	\$ 3,559,765

Promises to give have been discounted using rates ranging from 0.02 percent to 3.03 percent at both June 30, 2022 and 2021, depending on the date and length of pledge.

Contributions receivable at June 30, 2022 and 2021 include approximately \$4,647,000 and \$2,150,000 from 5 and 4 donors, respectively. Contributions receivable from Board members of the Foundation and the Minnesota Zoological Garden were approximately \$808,900 and \$1,434,600 as of June 30, 2022 and 2021, respectively.

Contributions revenue for the years ended June 30, 2022 and 2021 included approximately \$6,000,000 and \$2,965,000 from 5 donors. Contributions revenue from Board members of the Foundation and the Minnesota Zoological Garden were approximately \$532,000 and \$1,177,000 for the years ended June 30, 2022 and 2021, respectively.

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

8. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions consist of the following at June 30:

	2022	2021
Net assets with time and purpose restrictions:		
Zoo programs*	\$ 1,524,515	\$ 1,929,653
Capital projects	7,576,653	7,442,550
Outstanding pledges, time restricted	4,000	76,000
Total net assets with time and purpose restrictions	9,105,168	9,448,203
Net assets held in perpetuity:		
Beneficial interest in perpetual trust	1,309,795	1,605,126
Endowment funds:		
Zoomobile endowment	182,000	182,000
General endowment	88,876	88,876
Granum fund, exhibit updates	79,441	79,441
Kay Kamps fund, animal health	29,042	29,042
Volunteer endowment	34,673	34,573
Boegnik fund, marine exhibits	10,525	10,525
Boardman fund, zoo camp	10,494	10,244
Roman education fund, zoomobile or zoo safari	183,997	183,637
Cook endowment, Minnesota conservation	52,708	52,708
Greenberg fund, animal exhibit	64,020	64,020
Eric Hayes Memorial fund, shop fabrication	80,090	79,990
Beaulieu fund, general operating with marine emphasis	34,168	33,063
Scheer endowment	50,000	-
Tilson fund, tiger conservation	1,225	1,225
Total endowment funds	901,259	849,344
Total net assets held in perpetuity	2,211,054	2,454,470
Total net assets with donor restrictions	\$ 11,316,222	\$ 11,902,673

* Includes \$360,912 and \$675,551 of undistributed earnings on endowment funds as of June 30, 2022 and 2021, respectively.

9. Retirement Plan

The Foundation maintains a 401(k) retirement plan for the benefit of all employees meeting minimum eligibility requirements. The Foundation's contributions to the plan were \$26,808 and \$19,628 for the years ended June 30, 2022 and 2021, respectively.

In 2022, the Foundation established a deferred compensation plan in accordance with Internal Revenue Code sections 457(b) and 457(f) for an eligible employee. The plan permits the eligible employee to defer a portion of their salary until future years. There was an employer contribution to the plan of \$75,000 during the year ended June 30, 2022. Defined contribution plan assets of \$75,000 as of June 30, 2022 are included in cash and cash equivalents on the statements of financial position.

Minnesota Zoo Foundation

Notes to Financial Statements

June 30, 2022 and 2021

10. Deferred Gift Agreements

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. There were no new deferred gift arrangements received for the years ended June 30, 2022 and 2021.

11. In-Kind Contributions

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the statements of activities included:

	2022	2021
Animal care equipment and supplies	\$ 66,000	\$ 47,605
Vehicles	54,733	-
Rent	19,926	19,926
Zoo event supplies and catering	10,260	61,893
	<u>\$ 150,919</u>	<u>\$ 129,424</u>

The Foundation recognized contributed nonfinancial assets within revenue, including contributed animal care equipment and supplies, vehicles, rent, and catering services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed items are utilized in operations or supporting services of the Foundation. In valuing these items, the Foundation estimated the fair value on the basis of estimates of the cost of similar items if purchased.