

**ZONTA INTERNATIONAL AND
AFFILIATED FOUNDATION**
Oak Brook, Illinois

CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011



CliftonLarsonAllen

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
 FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position.....	2
Consolidated Statement of Activities.....	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
 SUPPLEMENTARY INFORMATION	
Detailed Consolidating Schedule of Financial Position	22
Detailed Consolidating Schedule of Activities	24
Detail of Member Services and Management and General	25
Detail of Convention Expenses	26
Detail of Program Expenses	27



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

Board of Directors
Zonta International and
Affiliated Foundation
Oak Brook, Illinois

We have audited the accompanying consolidated statement of financial position of Zonta International and Affiliated Foundation (collectively the "Organization") as of May 31, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year's summarized comparative financial information has been derived from the Organization's 2011 consolidated financial statements and, in our report dated October 29, 2011, we expressed an unqualified opinion on those consolidated financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2012, and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

Oak Brook, Illinois
November 20, 2012

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
May 31, 2012
(With Summarized Financial Information as of May 31, 2011)

	ASSETS				2011
	2012			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
	Total			Total	
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,914,885	\$ 85,908	\$ -	\$ 4,000,793	\$ 4,650,023
Receivables	24,133	-	-	24,133	92,466
Inventory	4,904	-	-	4,904	15,488
Prepaid expenses:					
Convention	302,974	-	-	302,974	-
Other	61,522	-	-	61,522	99,129
Total current assets	4,308,418	85,908	-	4,394,326	4,857,106
INVESTMENTS	6,408,655	4,076,527	1,041,331	11,526,513	9,196,988
OFFICE EQUIPMENT AND COMPUTERS, net of accumulated depreciation of \$319,258 and \$228,154 for 2012 and 2011, respectively	88,437	-	-	88,437	158,438
OTHER ASSETS	19,365	-	-	19,365	19,365
TOTAL ASSETS	<u>\$ 10,824,875</u>	<u>\$ 4,162,435</u>	<u>\$ 1,041,331</u>	<u>\$ 16,028,641</u>	<u>\$ 14,231,897</u>

LIABILITIES AND NET ASSETS

	<u>2012</u>			<u>2011</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 85,030	\$ -	\$ -	\$ 85,030
Grants payable	225,000	-	-	1,071,250
Capital lease obligation	3,624	-	-	3,391
Deferred revenue:				
Membership	1,333,835	-	-	1,228,144
Convention	36,725	-	-	-
Total current liabilities	<u>1,684,214</u>	-	-	<u>2,396,340</u>
LONG-TERM LIABILITIES				
Capital lease obligation, less current maturities	<u>2,037</u>	-	-	<u>5,296</u>
Total liabilities	<u>1,686,251</u>	-	-	<u>2,401,636</u>
NET ASSETS				
Unrestricted:				
Undesignated	8,745,609	-	-	7,735,125
Board designated - Convention Fund	<u>393,015</u>	-	-	<u>440,605</u>
Total unrestricted	9,138,624	-	-	8,175,730
Temporarily restricted	-	4,162,435	-	2,654,098
Permanently restricted	-	-	1,041,331	<u>1,000,433</u>
Total net assets	<u>9,138,624</u>	<u>4,162,435</u>	<u>1,041,331</u>	<u>11,830,261</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,824,875</u>	<u>\$ 4,162,435</u>	<u>\$ 1,041,331</u>	<u>\$ 14,231,897</u>

The accompanying notes are an integral part of the consolidated financial statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended May 31, 2012
(With Summarized Financial Information for the Year Ended May 31, 2011)

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Membership dues and fees	\$ 2,548,794	\$ -	\$ -	\$ 2,548,794	\$ 2,056,234
Charter and new member fees	38,348	-	-	38,348	44,021
United States and Canadian liability premiums	26,343	-	-	26,343	28,309
Contributions and other revenue	796,458	2,166,913	40,898	3,004,269	2,022,292
Grants returned	-	-	-	-	54,650
Convention registration	-	-	-	-	697,467
Convention events and programs	-	-	-	-	449,167
Interest	30,770	-	-	30,770	23,641
Investment income (loss), net	(49,080)	(163,421)	-	(212,501)	973,201
Merchandise sales	3,057	-	-	3,057	9,360
Exchange rate loss	(104,200)	-	-	(104,200)	(5,349)
Other revenue and support	16,867	-	-	16,867	-
Loss on sale of building	-	-	-	-	(112,500)
Net assets released from restrictions	495,155	(495,155)	-	-	-
Total revenue and support	<u>3,802,512</u>	<u>1,508,337</u>	<u>40,898</u>	<u>5,351,747</u>	<u>6,240,493</u>
EXPENSES					
Program services:					
Convention	47,590	-	-	47,590	1,146,432
Member services	1,262,584	-	-	1,262,584	1,350,392
Foundation programs	590,082	-	-	590,082	2,613,502
Support services:					
Management and general	939,362	-	-	939,362	733,114
Total expenses	<u>2,839,618</u>	<u>-</u>	<u>-</u>	<u>2,839,618</u>	<u>5,843,440</u>
CHANGE IN NET ASSETS	962,894	1,508,337	40,898	2,512,129	397,053
NET ASSETS, BEGINNING OF YEAR	<u>8,175,730</u>	<u>2,654,098</u>	<u>1,000,433</u>	<u>11,830,261</u>	<u>11,433,208</u>
NET ASSETS, END OF YEAR	<u>\$ 9,138,624</u>	<u>\$ 4,162,435</u>	<u>\$ 1,041,331</u>	<u>\$ 14,342,390</u>	<u>\$ 11,830,261</u>

The accompanying notes are an integral part of the consolidated financial statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended May 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,512,129	\$ 397,053
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	91,104	81,295
Loss on sale of building	-	112,500
Net realized and unrealized (gains) losses on investments	474,803	(748,579)
Donated stock	(61,063)	-
Dividend reinvestments	(295,758)	(242,660)
Contributions restricted for long-term investment	(40,898)	(1,143)
Effects of changes in operating assets and liabilities:		
Receivables	68,333	(71,370)
Inventory	10,584	10,266
Prepaid expenses and other assets	(265,367)	587,981
Accounts payable and accrued expenses	(8,525)	(81,077)
Grants payable	(846,250)	908,750
Deferred membership revenue	105,691	291,984
Deferred convention revenue	36,725	(1,097,931)
	<u>1,781,508</u>	<u>147,069</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of building	-	1,187,500
Purchase of office and computer equipment	(21,103)	(74,768)
Purchase of investments	(5,048,607)	(4,202,968)
Proceeds from sale of investments	2,601,100	2,536,216
	<u>(2,468,610)</u>	<u>(554,020)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(3,026)	(2,920)
Contributions restricted for investment in endowment	40,898	1,143
	<u>37,872</u>	<u>(1,777)</u>
Net cash provided by (used in) financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(649,230)	(408,728)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,650,023</u>	<u>5,058,751</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,000,793</u>	<u>\$ 4,650,023</u>

The accompanying notes are an integral part of the consolidated financial statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Zonta International (Zonta) is a global, not-for-profit organization of executives and professionals working to advance the status of women through service and advocacy. Zonta clubs and Zonta members work to improve the legal, political, economic, educational, health and professional status of women. Zonta clubs are located throughout the world.

Zonta is affiliated with the Zonta International Foundation (the "Foundation"), which was formed in 1984 for charitable purposes to support the programs of Zonta. The Foundation raises and accepts contributions, ensures that funds are used according to donors' wishes and invests the Foundation's funds for maximum safe return.

Zonta International and Zonta International Foundation (the "Organization") conduct their activities from offices in Oak Brook, Illinois. The Organization's fiscal year ends on May 31. Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Consolidated Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The separate classes of net assets are defined as follows:

Unrestricted

Amounts that are currently available for use in Zonta's operations and for the acquisition of equipment. Unrestricted program funds consist of unrestricted accumulated investment income and gains and losses, reduced by related bank and investment management fees, from the temporarily and permanently restricted net assets. The Board of Directors (the "Board") has also designated certain convention, membership fees and other revenues for specific purposes. The Board has designated the Convention Fund, which represents the excess of convention revenue over convention expenses, to be used for future conventions, including operational support under certain conditions.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidated Financial Statement Presentation (continued)

Temporarily Restricted

Amounts which are stipulated by donors for specific operating purposes, the acquisition of capital assets or use in future periods.

Permanently Restricted

Amounts that are stipulated by donors to be maintained permanently.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Consolidated Statement of Activities as "Net assets released from restrictions". Donations of volunteer time are not recorded.

The Organization is required to present a Consolidated Statement of Cash Flows.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Zonta and the Foundation. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and short-term highly liquid investments that are readily convertible into cash within 90 days of purchase. Short-term investments include a money market account, certificates of deposit and treasury bills. For purposes of reporting cash flows, the Organization considers all highly liquid instruments with maturities of 90 days or less as of the date of purchase to be cash equivalents. It is Zonta's policy to maintain a one-and-one-half-year operating reserve. See additional cash disclosures in Note 3.

Investments

Investments are presented at fair market value. Publicly traded securities are valued at closing sale price, or in the absence of a recorded sale, at closing bid prices. See Notes 4 and 10 for additional investment disclosures.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is valued at the lower of cost or market based on a first-in, first-out method of inventory accounting. It consists mainly of club supplies, publications, and other items bearing the Zonta emblem, which are offered for sale to members.

Office Equipment and Computers

Office equipment and computers are carried at cost and are depreciated on the straight-line method over their estimated useful lives of three to five years. See Note 5.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Grants Payable

Grants payable represent all unconditional grants and contributions that have been authorized prior to year-end, but remain unpaid as of the Consolidated Statement of Financial Position date. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied.

Deferred Revenue and Prepaid Expenses

Deferred membership revenue represents payments received from individual members and clubs for dues, fees, assessments and subscriptions to be recognized as revenue in the future over the membership period and as services are provided.

Zonta holds a biennial convention. Revenues and expenses relating to a particular convention are included in the Consolidated Statement of Activities for the fiscal year in which the convention occurs. Receipts and disbursements relating to future conventions are deferred and reflected in the Consolidated Statement of Financial Position as "Deferred revenue" and "Prepaid expenses" until the fiscal year in which the convention occurs. Allocated expenses such as personnel and similar costs, which would be incurred without regard to the timing of the convention and convention site selection expenses, are expensed in the year of occurrence and not deferred.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Collections

The “fine and decorative arts” collections, which were acquired through contributions since the Organization’s inception, are not recognized as assets on the Consolidated Statement of Financial Position. Contributed collection items are not reflected on the consolidated financial statements.

The Organization’s collections are made up of artifacts of historical significance and fine and decorative art objects that are held on display for its members at its headquarters. Based upon an independent appraisal, the approximate fair market value of the collections is \$88,550.

Tax-Exempt Status

Zonta is classified under Section 501(c)(4) of the United States Internal Revenue Code (IRC) as a fraternal organization and is exempt from United States federal and Illinois income taxes on income related to its purpose as a fraternal organization.

The Foundation is classified under Section 501(c)(3) of the IRC as a charitable organization and is exempt from United States federal and Illinois income taxes on income related to its charitable, scientific and educational purposes. The Foundation is not a private foundation and contributions are tax deductible in the United States to the extent allowed by law.

The Organization follows the requirements for accounting for uncertain tax positions. The Organization has determined that they are not required to record a liability related to uncertain tax positions as of May 31, 2012 and 2011.

The federal and state tax returns of Zonta and the Foundation for 2008, 2009, and 2010 are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

Comparative Amounts

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a comparative presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended May 31, 2011, from which the summarized consolidated financial information was derived.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 2 - FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. It also defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Fair values of assets measured on a recurring basis at May 31, 2012 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money market funds	\$ 334,293	\$ -	\$ 334,293	\$ -
Certificates of deposit	4,989,004	-	4,989,004	-
Mutual funds - fixed income	3,388,222	-	3,388,222	-
Mutual funds - equities	2,299,200	2,299,200	-	-
Mutual funds - index fund	<u>850,087</u>	<u>850,087</u>	<u>-</u>	<u>-</u>
Total	<u>\$11,860,806</u>	<u>\$ 3,149,287</u>	<u>\$ 8,711,519</u>	<u>\$ -</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 2 - FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at May 31, 2011 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Money market fund	\$ 11,100	\$ -	\$ 11,100	\$ -
Certificates of deposit	2,947,812	-	2,947,812	-
Mutual funds - fixed income	3,145,341	-	3,145,341	-
Mutual funds - equities	2,298,612	2,298,612	-	-
Mutual funds - index fund	<u>805,223</u>	<u>805,223</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,208,088</u>	<u>\$ 3,103,835</u>	<u>\$ 6,104,253</u>	<u>\$ -</u>

Fair value for Level 1 investments include securities listed on a national market or exchange and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Fair value of Level 2 investments are determined by reference to quoted market transactions in a less active market for assets similar to those held to support the underlying assets. The carrying amounts of all other assets and liabilities reflected in the Consolidated Statement of Financial Position for the Organization's financial instruments approximates the respective fair values due to the short-term maturities of those instruments.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at May 31, consist of the following:

	2012		
	<u>Zonta</u>	<u>Foundation</u>	<u>Total</u>
Cash	\$ 1,708,588	\$ 1,957,912	\$ 3,666,500
Money market fund	<u>87,063</u>	<u>247,230</u>	<u>334,293</u>
Total	<u>\$ 1,795,651</u>	<u>\$ 2,205,142</u>	<u>\$ 4,000,793</u>
	2011		
	<u>Zonta</u>	<u>Foundation</u>	<u>Total</u>
Cash	\$ 1,646,737	\$ 2,992,186	\$ 4,638,923
Money market fund	<u>-</u>	<u>11,100</u>	<u>11,100</u>
Total	<u>\$ 1,646,737</u>	<u>\$ 3,003,286</u>	<u>\$ 4,650,023</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

The Organization maintains cash balances and cash equivalents at Bank of America, Merrill Lynch, and Charles Schwab Institutional, all accounts held at these financial institutions with the exception of one, are located in the United States. The Organization held cash balances of \$831,471 and \$402,149 at Bank of America in an Euro account in London, England, at May 31, 2012 and 2011, respectively. At times, the United States balances may exceed federally insured limits; however, the Organization has not experienced any losses in such accounts and limits its exposure to credit risk by maintaining its cash and cash equivalents in highly reputable financial institutions.

NOTE 4 - INVESTMENTS

Investments held by the Organization at May 31 consist of the following:

	2012		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificate of deposit	\$ 5,025,000	\$ 4,989,004	\$ (35,996)
Mutual funds - fixed income	3,316,300	3,388,222	71,922
Mutual funds - equities	2,723,676	2,299,200	(424,476)
Mutual funds - index fund	<u>803,990</u>	<u>850,087</u>	<u>46,097</u>
Total	<u>\$11,868,966</u>	<u>\$11,526,513</u>	<u>\$ (342,453)</u>
	2011		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificate of deposit	\$ 2,959,000	\$ 2,947,812	\$ (11,188)
Mutual funds - fixed income	3,047,896	3,145,341	97,445
Mutual funds - equities	2,285,377	2,298,612	13,235
Mutual funds - index fund	<u>741,542</u>	<u>805,223</u>	<u>63,681</u>
Total	<u>\$ 9,033,815</u>	<u>\$ 9,196,988</u>	<u>\$ 163,173</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 4 - INVESTMENTS (continued)

Investment income at May 31 consists of the following:

	<u>2012</u>	<u>2011</u>
Unrealized gains (losses), net	\$ (516,231)	\$ 905,952
Realized gains (losses), net	41,428	(157,373)
Investment income	305,982	250,599
Investment management fees	<u>(43,680)</u>	<u>(25,977)</u>
Total	<u>\$ (212,501)</u>	<u>\$ 973,201</u>

The investments are held at Charles Schwab Institutional and Merrill Lynch.

NOTE 5 - OFFICE EQUIPMENT AND COMPUTERS

A summary of office equipment and computers, at cost, as of May 31 is as follows:

	<u>2012</u>	<u>2011</u>
Office equipment	\$ 62,545	\$ 62,545
Computers	<u>345,150</u>	<u>324,047</u>
Total, at cost	407,695	386,592
Less accumulated depreciation	<u>319,258</u>	<u>228,154</u>
Equipment and improvements, net	<u>\$ 88,437</u>	<u>\$ 158,438</u>

Depreciation expense on office equipment and computers for the years ended May 31, 2012 and 2011 totaled \$91,104 and \$81,295, respectively.

On June 21, 2010, the Foundation sold an office condominium to an unrelated buyer for \$1,250,000. The Foundation recognized a loss on the sale of \$112,500, which includes selling costs of approximately \$62,500.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 6 - GRANTS PAYABLE

Multi-year grants, contributions and scholarships are made at the direction of the Board and are reflected as expenses when committed and approved. The liability for grants payable represents the unexpended portion of unconditional grants and promises. No discount on grants payable was recorded as of May 31, 2012 and 2011, as the amount approximates zero. The commitments outstanding at May 31, 2012 are scheduled for payment within one year after the fiscal year-end and are presented as a current liability on the Consolidated Statement of Financial Position.

NOTE 7 - CAPITAL LEASE

The Organization has a lease for a telephone system. The lease contains a bargain purchase option at the end of the lease term and has been accounted for as a capital lease. Accumulated depreciation on the telephone system as of May 31, 2012 and 2011 is \$10,872 and \$7,690, respectively.

Future minimum lease payments under this lease for the year ended May 31 are as follows:

2013	\$ 4,044
2014	<u>2,022</u>
Total	6,066
Less amount representing interest	<u>405</u>
Total	<u>\$ 5,661</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of May 31, 2012 and 2011 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Eva Mowbray	\$ 85,908	\$ 85,021
International Service Program	1,711,591	734,452
ZISVAW Program	929,710	403,883
YWPA Program	385,998	341,559
Jane M. Klausman Women in Business Scholarship Program	468,413	471,576
Endowment fund	<u>580,815</u>	<u>617,607</u>
Total	<u>\$ 4,162,435</u>	<u>\$ 2,654,098</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2012</u>	<u>2011</u>
Amelia Earhart Fellowship Program	\$ 257,230	\$ 333,483
International Service Program	100,000	1,507,554
ZISVAW Program	-	633,946
YWPA Program	51,475	44,125
Jane M. Klausman Women in Business Scholarship Program	<u>86,450</u>	<u>90,171</u>
Total	<u>\$ 495,155</u>	<u>\$ 2,609,279</u>

NOTE 10 - ENDOWMENTS

The Organization's endowments consist of funds established to support a variety of scholarships and grants. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Organization follows the Uniform Prudent Management Institutional Funds Act (UPMIFA). UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's Board.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 10 - ENDOWMENTS (continued)

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

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

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The investment policy of the Organization is guided by three basic objectives: safety, liquidity and return on investment. The Organization supports the investment of funds in a variety of vehicles, including bank instruments, money market funds, equity funds, bond funds and real estate funds. The Organization works with professional advisors on the investment portfolio.

Spending Policy

The Organization has a policy of appropriating for distribution each year 3% to 5% of the endowment fund's current market value, not to exceed accumulated unrestricted investment income. Notwithstanding this policy, no distribution shall be made from the general endowment fund that will cause the combined balance of the unrestricted and permanently restricted balances in that fund to be less than \$1,000,000.

In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011**

NOTE 10 - ENDOWMENTS (continued)

Strategies Employed for Achieving Objectives (continued)

Endowment net asset composition by type of fund as of May 31 is as follows:

	2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted:				
General endowment fund	\$ -	\$ 580,815	\$ 810,231	\$ 1,391,046
Program specific endowment fund	<u>-</u>	<u>-</u>	<u>231,100</u>	<u>231,100</u>
Total	<u>\$ -</u>	<u>\$ 580,815</u>	<u>\$ 1,041,331</u>	<u>\$ 1,622,146</u>
	2011			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted:				
General endowment fund	\$ -	\$ 617,607	\$ 769,333	\$ 1,386,940
Program specific endowment fund	<u>-</u>	<u>-</u>	<u>231,100</u>	<u>231,100</u>
Total	<u>\$ -</u>	<u>\$ 617,607</u>	<u>\$ 1,000,433</u>	<u>\$ 1,618,040</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 10 - ENDOWMENTS (continued)

Strategies Employed for Achieving Objectives (continued)

Changes in endowment net assets for the fiscal years ended May 31 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, May 31, 2010	\$ -	\$ 422,589	\$ 999,290	\$ 1,421,879
Investment return:				
Investment income	-	48,872	-	48,872
Net appreciation	-	146,146	-	146,146
Total	-	195,018	-	195,018
Contributions	-	-	1,143	1,143
Balance, May 31, 2011	-	617,607	1,000,433	1,618,040
Investment return:				
Investment income	-	70,257	-	70,257
Net depreciation	-	(107,049)	-	(107,049)
Total	-	(36,792)	-	(36,792)
Contributions	-	-	40,898	40,898
Balance, May 31, 2012	<u>\$ -</u>	<u>\$ 580,815</u>	<u>\$ 1,041,331</u>	<u>\$ 1,622,146</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 11 - OPERATING LEASE

The Organization entered into an agreement for office space under a noncancelable operating lease beginning on February 1, 2009. The lease had a term of 65 months and contained a rent escalation clause whereby the monthly rental payments started at \$17,467 and increased to \$19,365 over the lease term, which were to expire in June 2014. As of February 1, 2011, the Organization entered into a first amendment to the original lease agreement. This amended lease agreement has a term of 60 months and contains a rent escalation clause whereby monthly rental payments start at \$17,644 and increase to \$20,927 over the lease term, which expires in June 2019. Zonta is also responsible for its share of operating expenses and real estate taxes.

Minimum annual commitments under this lease for the years ended May 31 are as follows:

2013	\$ 218,297
2014	223,221
2015	228,145
2016	233,069
2017	237,993
Thereafter	<u>511,686</u>
Total	<u>\$ 1,652,411</u>

Rental expense for the years ended May 31, 2012 and 2011 was \$213,373 and \$213,348, respectively.

NOTE 12 - 401(K) PLAN

The Organization maintains a defined contribution plan and a 401(k) with a money purchase provision for its eligible employees. Each year the Organization contributes 5% of eligible wages. The Organization contributed approximately \$29,401 and \$23,751 for the years ended May 31, 2012 and 2011, respectively.

NOTE 13 - CONCENTRATIONS

The Organization relies on dues as its primary source of revenue, excluding convention activities. For the years ended May 31, 2012 and 2011, dues revenue, which included membership dues and charter and new member fees, represented approximately 100% and 96%, respectively, of the total operational revenues, excluding convention and foundation activities.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2012 and 2011

NOTE 14 - CASH FLOW DISCLOSURES

There was no cash paid for interest or taxes for the years ended May 31, 2012 and 2011. There were no non-cash investing and financing transactions for the years ended May 31, 2012 and 2011.

NOTE 15 - SUBSEQUENT EVENTS

Management evaluated subsequent events through November 20, 2012, the date the consolidated financial statements were available to be issued. Events or transactions occurring after May 31, 2012, but prior to November 20, 2012 that provided additional evidence about conditions that existed at May 31, 2012, have been recognized in the consolidated financial statements for the year ended May 31, 2012. Events or transactions that provided evidence about conditions that did not exist at May 31, 2012, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended May 31, 2012.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAILED CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
May 31, 2012

ASSETS

	Unrestricted		Temporarily Restricted		Permanently	Eliminations	Total
	Zonta	Foundation	Zonta	Foundation	Restricted Foundation		
CURRENT ASSETS							
Cash and cash equivalents	\$ 1,709,743	\$ 2,205,142	\$ 85,908	\$ -	\$ -	\$ -	\$ 4,000,793
Receivables	11,885	12,248	-	-	-	-	24,133
Inventory	4,904	-	-	-	-	-	4,904
Prepaid expenses:							
Convention	302,974	-	-	-	-	-	302,974
Other	58,141	3,381	-	-	-	-	61,522
Due from Zonta International	-	31,335	-	-	-	(31,335)	-
Total current assets	2,087,647	2,252,106	85,908	-	-	(31,335)	4,394,326
INVESTMENTS	2,998,859	3,409,796	-	4,076,527	1,041,331	-	11,526,513
OFFICE EQUIPMENT AND COMPUTERS, net of accumulated depreciation of \$319,258	88,437	-	-	-	-	-	88,437
OTHER ASSETS	19,365	-	-	-	-	-	19,365
TOTAL ASSETS	\$ 5,194,308	\$ 5,661,902	\$ 85,908	\$ 4,076,527	\$ 1,041,331	\$ (31,335)	\$ 16,028,641

LIABILITIES AND NET ASSETS

	Unrestricted		Temporarily Restricted		Permanently Restricted	Eliminations	Total
	Zonta	Foundation	Zonta	Foundation	Foundation		
CURRENT LIABILITIES							
Accounts payable and accrued expenses	\$ 85,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,030
Grants payable	-	225,000	-	-	-	-	225,000
Due to Zonta International Foundation	31,335	-	-	-	-	(31,335)	-
Capital lease obligation	3,624	-	-	-	-	-	3,624
Deferred revenue:							
Membership	1,333,835	-	-	-	-	-	1,333,835
Other	7,392	29,333	-	-	-	-	36,725
Total current liabilities	1,461,216	254,333	-	-	-	(31,335)	1,684,214
LONG-TERM LIABILITIES							
Capital lease obligation, less current maturities	2,037	-	-	-	-	-	2,037
Total liabilities	1,463,253	254,333	-	-	-	(31,335)	1,686,251
NET ASSETS							
Unrestricted:							
Undesignated	3,338,040	5,407,569	-	-	-	-	8,745,609
Board designated - Convention Fund	393,015	-	-	-	-	-	393,015
Total unrestricted	3,731,055	5,407,569	-	-	-	-	9,138,624
Temporarily restricted	-	-	85,908	4,076,527	-	-	4,162,435
Permanently restricted	-	-	-	-	1,041,331	-	1,041,331
Total net assets	3,731,055	5,407,569	85,908	4,076,527	1,041,331	-	14,342,390
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,194,308</u>	<u>\$ 5,661,902</u>	<u>\$ 85,908</u>	<u>\$ 4,076,527</u>	<u>\$ 1,041,331</u>	<u>\$ (31,335)</u>	<u>\$ 16,028,641</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAILED CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended May 31, 2012

	Unrestricted			Temporarily Restricted			Permanently Restricted		Total	
	Undesignated	Convention Fund	Foundation Funds	Total Unrestricted	Eva Mowbray Fund	Foundation Funds	Total Temporarily Restricted	Endowment		Eliminations
REVENUE AND SUPPORT										
Membership dues and fees	\$ 2,548,794	\$ -	\$ -	\$ 2,548,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,548,794
Charter and new member fees	38,348	-	-	38,348	-	-	-	-	-	38,348
United States and Canadian liability premiums	26,343	-	-	26,343	-	-	-	-	-	26,343
Contributions and other revenue	28,281	-	768,177	796,458	887	2,166,026	2,166,913	40,898	-	3,004,269
Interest	30,770	-	-	30,770	-	-	-	-	-	30,770
Investment loss, net	(3,612)	-	(45,468)	(49,080)	-	(163,421)	(163,421)	-	-	(212,501)
Merchandise sales	3,057	-	-	3,057	-	-	-	-	-	3,057
Exchange rate loss	(104,200)	-	-	(104,200)	-	-	-	-	-	(104,200)
Other revenue and support	4,200	-	12,667	16,867	-	-	-	-	-	16,867
Net assets released from restrictions	-	-	495,155	495,155	-	(495,155)	(495,155)	-	-	-
Total revenue and support	2,571,981	-	1,230,531	3,802,512	887	1,507,450	1,508,337	40,898	-	5,351,747
EXPENSES										
Program services:										
Convention	-	47,590	-	47,590	-	-	-	-	-	47,590
Member services	1,262,584	-	-	1,262,584	-	-	-	-	-	1,262,584
Foundation programs	-	-	590,082	590,082	-	-	-	-	-	590,082
Support services:										
Management and general	939,362	-	-	939,362	-	-	-	-	-	939,362
Total expenses	2,201,946	47,590	590,082	2,839,618	-	-	-	-	-	2,839,618
CHANGE IN NET ASSETS	\$ 370,035	\$ (47,590)	\$ 640,449	\$ 962,894	\$ 887	\$ 1,507,450	\$ 1,508,337	\$ 40,898	\$ -	\$ 2,512,129

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAIL OF MEMBER SERVICES AND MANAGEMENT AND GENERAL
Years Ended May 31, 2012 and 2011
(Excludes Foundation Transactions)

	<u>2012</u>	<u>2011</u>
MEMBER SERVICES		
Salaries	\$ 636,276	\$ 569,333
Payroll taxes and fringe	168,599	178,834
Temporary help	35,346	36,792
Outsourcing - finance and dues	172,669	246,909
Club mailings	3,236	6,663
Dues and subscriptions	2,183	1,241
Website	3,421	6,616
U.S./Canadian club liability expenses	17,295	19,005
Cost of sales	9,083	1,757
Sales outsourcing	-	1,924
O&E supplies/recognition	12,120	46,381
Postage and shipping	18,523	28,019
Printing and copying	17,401	12,693
Office supplies	14,499	17,881
Staff development	6,764	3,316
Telephone	19,140	17,370
Communication expense	6,493	6,219
United Nations dues	865	1,137
CSW	14,655	12,060
Z Club expenses	3,500	1,700
Zontian magazine	<u>100,516</u>	<u>134,542</u>
TOTAL MEMBER SERVICES	<u>\$ 1,262,584</u>	<u>\$ 1,350,392</u>
 MANAGEMENT AND GENERAL		
International board expenses	\$ 97,666	\$ 81,517
International committee expenses	77,165	23,361
Conference representation	57,815	11,735
Governor's training	92,122	-
Consultants	13,675	33,119
Outsourcing IT	42,000	39,500
Internet	18,125	24,324
Maintenance	26,652	35,979
Equipment lease	43,631	27,458
Audit and tax consultants	37,635	39,440
Bank charges	61,840	49,729
Rent and utilities	225,542	224,754
Insurance expense	35,573	31,728
Legal fees	10,352	19,975
Payroll processing	3,172	3,001
Other expenses	5,293	3,414
Depreciation expense	<u>91,104</u>	<u>81,295</u>
TOTAL MANAGEMENT AND GENERAL	<u>\$ 939,362</u>	<u>\$ 730,329</u>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAIL OF CONVENTION EXPENSES
Year Ended May 31, 2012
(Excludes Foundation Transactions)**

TORINO CONVENTION EXPENSES

Business sessions	\$ 108
Registration package	408
Stationary and envelopes	1,934
Promotional products	4,282
Speakers	196
Public relations	269
Equipment rental	69
Gifts	1,824
Site visits and planning	37,713
Opening ceremonies	<u>76</u>
Total Torino convention expenses	46,879

ORLANDO CONVENTION EXPENSES

Site visits and planning meetings	<u>711</u>
-----------------------------------	------------

TOTAL CONVENTION EXPENSES

\$ 47,590

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAIL OF PROGRAM EXPENSES
Years Ended May 31, 2012 and 2011
(Excludes Zonta International Transactions)**

	<u>2012</u>	<u>2011</u>
PROGRAM EXPENSES		
Direct expenses:		
Awards	\$ 588,275	\$ 2,611,695
Committee expenses	<u>1,807</u>	<u>1,807</u>
 TOTAL PROGRAM EXPENSES	 <u>\$ 590,082</u>	 <u>\$ 2,613,502</u>