

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

**CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012**



CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Zonta International and Affiliated Foundation (collectively, the "Organization"), which comprise the consolidated statement of financial position as of May 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated November 20, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Consolidating Supplementary Information

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 consolidating 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 7, 2013

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
May 31, 2013
(With Summarized Financial Information as of May 31, 2012)

	ASSETS				2012
	2013			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
	Total			Total	
CURRENT ASSETS					
Cash and cash equivalents	\$ 6,642,593	\$ 86,718	\$ -	\$ 6,729,311	\$ 4,000,793
Receivables	109,326	-	-	109,326	24,133
Inventory	2,184	-	-	2,184	4,904
Prepaid expenses:					
Convention	64,538	-	-	64,538	302,974
Other	91,084	-	-	91,084	61,522
Total current assets	6,909,725	86,718	-	6,996,443	4,394,326
INVESTMENTS	6,678,953	3,210,306	1,078,247	10,967,506	11,526,513
OFFICE EQUIPMENT AND COMPUTERS, net of accumulated depreciation of \$367,962 and \$319,258 for 2013 and 2012, respectively	53,897	-	-	53,897	88,437
OTHER ASSETS	19,365	-	-	19,365	19,365
TOTAL ASSETS	<u>\$ 13,661,940</u>	<u>\$ 3,297,024</u>	<u>\$ 1,078,247</u>	<u>\$ 18,037,211</u>	<u>\$ 16,028,641</u>

LIABILITIES AND NET ASSETS

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 196,887	\$ -	\$ -	\$ 196,887	\$ 85,030
Grants payable	1,910,938	-	-	1,910,938	225,000
Capital lease obligation	1,732	-	-	1,732	3,624
Deferred revenue:					
Membership	1,518,755	-	-	1,518,755	1,333,835
Convention	18,667	-	-	18,667	36,725
Total current liabilities	<u>3,646,979</u>	-	-	<u>3,646,979</u>	<u>1,684,214</u>
LONG-TERM LIABILITIES					
Capital lease obligation, less current maturities	-	-	-	-	2,037
Total liabilities	<u>3,646,979</u>	-	-	<u>3,646,979</u>	<u>1,686,251</u>
NET ASSETS					
Unrestricted:					
Undesignated	9,481,215	-	-	9,481,215	8,745,609
Board designated - Convention Fund	533,746	-	-	533,746	393,015
Total unrestricted	10,014,961	-	-	10,014,961	9,138,624
Temporarily restricted	-	3,297,024	-	3,297,024	4,162,435
Permanently restricted	-	-	1,078,247	1,078,247	1,041,331
Total net assets	<u>10,014,961</u>	<u>3,297,024</u>	<u>1,078,247</u>	<u>14,390,232</u>	<u>14,342,390</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,661,940</u>	<u>\$ 3,297,024</u>	<u>\$ 1,078,247</u>	<u>\$ 18,037,211</u>	<u>\$ 16,028,641</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, 2013
(With Summarized Financial Information for the Year Ended May 31, 2012)

	<u>2013</u>			<u>2012</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT					
Membership dues and fees	\$ 2,302,051	\$ -	\$ -	\$ 2,302,051	\$ 2,548,794
Charter and new member fees	33,584	-	-	33,584	38,348
U.S. and Canadian liability premiums	21,448	-	-	21,448	26,343
Contributions and other revenue	557,314	1,652,813	36,916	2,247,043	3,004,269
Convention registration	886,733	-	-	886,733	-
Convention events and programs	322,336	-	-	322,336	-
Interest	24,032	-	-	24,032	30,770
Investment income (loss), net	314,750	605,209	-	919,959	(212,501)
Merchandise sales	5,007	-	-	5,007	3,057
Exchange rate gain (loss)	71,507	-	-	71,507	(104,200)
Other gains	6,987	-	-	6,987	16,867
Net assets released from restrictions	<u>3,123,433</u>	<u>(3,123,433)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,669,182</u>	<u>(865,411)</u>	<u>36,916</u>	<u>6,840,687</u>	<u>5,351,747</u>
EXPENSES					
Program services:					
Convention	1,068,338	-	-	1,068,338	47,590
Member services	1,123,741	-	-	1,123,741	1,262,584
Foundation programs	3,739,987	-	-	3,739,987	590,082
Support services:					
Management and general	<u>860,779</u>	<u>-</u>	<u>-</u>	<u>860,779</u>	<u>939,362</u>
Total expenses	<u>6,792,845</u>	<u>-</u>	<u>-</u>	<u>6,792,845</u>	<u>2,839,618</u>
CHANGE IN NET ASSETS	876,337	(865,411)	36,916	47,842	2,512,129
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 10,014,961</u>	<u>\$ 3,297,024</u>	<u>\$ 1,078,247</u>	<u>\$ 14,390,232</u>	<u>\$ 14,342,390</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 47,842	\$ 2,512,129
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	48,704	91,104
Net realized and unrealized (gains) losses on investments	(626,683)	474,803
Donated stock	-	(61,063)
Dividend reinvestments	(249,827)	(295,758)
Contributions restricted for long-term investment	(36,916)	(40,898)
Effects of changes in operating assets and liabilities:		
Receivables	(85,193)	68,333
Inventory	2,720	10,584
Prepaid expenses and other assets	208,874	(265,367)
Accounts payable and accrued expenses	111,857	(8,525)
Grants payable	1,685,938	(846,250)
Deferred membership revenue	184,920	105,691
Deferred convention revenue	(18,058)	36,725
	<u>1,274,178</u>	<u>1,781,508</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office and computer equipment	(14,164)	(21,103)
Purchase of investments	(198,995)	(5,048,607)
Proceeds from sale of investments	<u>1,634,512</u>	<u>2,601,100</u>
	<u>1,421,353</u>	<u>(2,468,610)</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(3,929)	(3,026)
Contributions restricted for investment in endowment	<u>36,916</u>	<u>40,898</u>
	<u>32,987</u>	<u>37,872</u>
Net cash provided by financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,728,518	(649,230)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,000,793</u>	<u>4,650,023</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,729,311</u>	<u>\$ 4,000,793</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, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012

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 (U.S.) Internal Revenue Code (IRC) as a fraternal organization and is exempt from U.S. 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 U.S. 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 U.S. 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, 2013 and 2012.

The federal and state tax returns of Zonta and the Foundation for the years 2010, 2011, and 2012 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, 2012, from which the summarized consolidated financial information was derived.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

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, 2013 are as follows:

May 31, 2013	Fair Value	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	\$ 2,101,533	\$ -	\$ 2,101,533	\$ -
Certificates of deposit	3,529,202	-	3,529,202	-
Mutual funds - fixed-income	3,563,664	-	3,563,664	-
Mutual funds - equities	2,792,298	2,792,298	-	-
Mutual funds - index fund	<u>1,082,342</u>	<u>1,082,342</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,069,039</u>	<u>\$ 3,874,640</u>	<u>\$ 9,194,399</u>	<u>\$ -</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

NOTE 2 - FAIR VALUE MEASUREMENTS (continued)

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

May 31, 2012	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money market fund	\$ 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>

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:

	2013		
	<u>Zonta</u>	<u>Foundation</u>	<u>Total</u>
Cash	\$ 2,780,394	\$ 1,847,384	\$ 4,627,778
Money market fund	<u>1,596,016</u>	<u>505,517</u>	<u>2,101,533</u>
Total	<u>\$ 4,376,410</u>	<u>\$ 2,352,901</u>	<u>\$ 6,729,311</u>
	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>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

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 U.S. The Organization held cash balances of \$1,161,253 and \$831,471 at Bank of America in an Euro account in London, England, at May 31, 2013 and 2012, respectively. At times, the U.S. 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:

	2013		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificate of deposit	\$ 3,535,000	\$ 3,529,202	\$ (5,798)
Mutual funds - fixed-income	3,484,806	3,563,664	78,858
Mutual funds - equities	2,754,975	2,792,298	37,323
Mutual funds - index fund	<u>824,210</u>	<u>1,082,342</u>	<u>258,132</u>
Total	<u>\$10,598,991</u>	<u>\$10,967,506</u>	<u>\$ 368,515</u>
	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>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

NOTE 4 - INVESTMENTS (continued)

Investment income at May 31 consists of the following:

	<u>2013</u>	<u>2012</u>
Unrealized gains (losses), net	\$ 693,947	\$ (516,231)
Realized gains (losses), net	(67,264)	41,428
Investment income	334,801	305,982
Investment management fees	<u>(41,525)</u>	<u>(43,680)</u>
Total	<u>\$ 919,959</u>	<u>\$ (212,501)</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>2013</u>	<u>2012</u>
Office equipment	\$ 67,255	\$ 62,545
Computers	<u>354,604</u>	<u>345,150</u>
Total, at cost	421,859	407,695
Less accumulated depreciation	<u>367,962</u>	<u>319,258</u>
Office equipment and computers, net	<u>\$ 53,897</u>	<u>\$ 88,437</u>

Depreciation expense on office equipment and computers for the years ended May 31, 2013 and 2012 totaled \$48,704 and \$91,104, respectively.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

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, 2013 and 2012, as the amount approximates zero. The commitments outstanding at May 31, 2013 are scheduled for payment within one year after the fiscal year-end and are presented as a current liability in 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, 2013 and 2012 is \$14,053 and \$10,872, respectively.

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

2014	\$ 2,022
Less amount representing interest	<u>290</u>
Total	<u>\$ 1,732</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of May 31, 2013 and 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Eva Mowbray	\$ 86,718	\$ 85,908
International Service Program	-	1,711,591
ZISVAW Program	1,517,099	929,710
YWPA Program	470,921	385,998
Jane M. Klausman Women in Business Scholarship Program	498,247	468,413
Endowment fund	<u>724,039</u>	<u>580,815</u>
Total	<u>\$ 3,297,024</u>	<u>\$ 4,162,435</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

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>2013</u>	<u>2012</u>
Amelia Earhart Fellowship Program	\$ 291,701	\$ 257,230
International Service Program	2,672,657	100,000
YWPA Program	47,475	51,475
Jane M. Klausman Women in Business Scholarship Program	<u>111,600</u>	<u>86,450</u>
Total	<u>\$ 3,123,433</u>	<u>\$ 495,155</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, 2013 and 2012

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, 2013 and 2012**

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:

	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted:				
General endowment fund	\$ -	\$ 724,039	\$ 847,147	\$ 1,571,186
Program specific endowment fund	<u>-</u>	<u>-</u>	<u>231,100</u>	<u>231,100</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 724,039</u></u>	<u><u>\$ 1,078,247</u></u>	<u><u>\$ 1,802,286</u></u>
	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></u>	<u><u>\$ 580,815</u></u>	<u><u>\$ 1,041,331</u></u>	<u><u>\$ 1,622,146</u></u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

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, 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	-	580,815	1,041,331	1,622,146
Investment return:				
Investment income	-	50,441	-	50,441
Net appreciation	-	92,783	-	92,783
Total	-	143,224	-	143,224
Contributions	-	-	36,916	36,916
Balance, May 31, 2013	<u>\$ -</u>	<u>\$ 724,039</u>	<u>\$ 1,078,247</u>	<u>\$ 1,802,286</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

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:

2014	\$ 223,221
2015	228,145
2016	233,069
2017	237,993
2018	242,917
Thereafter	<u>268,768</u>
Total	<u>\$ 1,434,113</u>

Rental expense for the years ended May 31, 2013 and 2012 was \$218,297 and \$213,373, 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 \$26,049 and \$29,401 for the years ended May 31, 2013 and 2012, respectively.

NOTE 13 - CONCENTRATIONS

The Organization relies on dues as its primary source of revenue, excluding convention activities. For the years ended May 31, 2013 and 2012, dues revenue, which included membership dues and charter and new member fees, represented approximately 100% and 100%, respectively, of the total operational revenues, excluding convention and Foundation activities.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2013 and 2012

NOTE 14 - CASH FLOW DISCLOSURES

There was no cash paid for interest or taxes for the years ended May 31, 2013 and 2012. There were no non-cash investing and financing transactions for the years ended May 31, 2013 and 2012.

NOTE 15 - SUBSEQUENT EVENTS

Management evaluated subsequent events through November 7, 2013, the date the consolidated financial statements were available to be issued. Events or transactions occurring after May 31, 2013, but prior to November 7, 2013 that provided additional evidence about conditions that existed at May 31, 2013, have been recognized in the consolidated financial statements for the year ended May 31, 2013. Events or transactions that provided evidence about conditions that did not exist at May 31, 2013, 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, 2013.

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, 2013

ASSETS

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Zonta</u>	<u>Foundation</u>	<u>Zonta</u>	<u>Foundation</u>	<u>Foundation</u>		
CURRENT ASSETS							
Cash and cash equivalents	\$ 4,289,692	\$ 2,352,901	\$ 86,718	\$ -	\$ -	\$ -	\$ 6,729,311
Receivables	4,164	105,162	-	-	-	-	109,326
Inventory	2,184	-	-	-	-	-	2,184
Prepaid expenses:							
Convention	64,538	-	-	-	-	-	64,538
Other	87,406	3,678	-	-	-	-	91,084
Due from Zonta International	-	25,473	-	-	-	(25,473)	-
	<u>4,447,984</u>	<u>2,487,214</u>	<u>86,718</u>	<u>-</u>	<u>-</u>	<u>(25,473)</u>	<u>6,996,443</u>
Total current assets							
	4,447,984	2,487,214	86,718	-	-	(25,473)	6,996,443
INVESTMENTS	1,530,963	5,147,990	-	3,210,306	1,078,247	-	10,967,506
OFFICE EQUIPMENT AND COMPUTERS, net of accumulated depreciation of \$367,962	53,897	-	-	-	-	-	53,897
OTHER ASSETS	<u>19,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,365</u>
TOTAL ASSETS	<u>\$ 6,052,209</u>	<u>\$ 7,635,204</u>	<u>\$ 86,718</u>	<u>\$ 3,210,306</u>	<u>\$ 1,078,247</u>	<u>\$ (25,473)</u>	<u>\$ 18,037,211</u>

LIABILITIES AND NET ASSETS

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Zonta</u>	<u>Foundation</u>	<u>Zonta</u>	<u>Foundation</u>	<u>Foundation</u>		
CURRENT LIABILITIES							
Accounts payable and accrued expenses	\$ 177,637	\$ 19,250	\$ -	\$ -	\$ -	\$ -	\$ 196,887
Grants payable	-	1,910,938	-	-	-	-	1,910,938
Due to Zonta International Foundation	25,473	-	-	-	-	(25,473)	-
Capital lease obligation	1,732	-	-	-	-	-	1,732
Deferred revenue:							
Membership	1,518,755	-	-	-	-	-	1,518,755
Other	-	18,667	-	-	-	-	18,667
Total current liabilities	<u>1,723,597</u>	<u>1,948,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,473)</u>	<u>3,646,979</u>
NET ASSETS							
Unrestricted:							
Undesignated	3,794,866	5,686,349	-	-	-	-	9,481,215
Board designated - Convention Fund	<u>533,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>533,746</u>
Total unrestricted	4,328,612	5,686,349	-	-	-	-	10,014,961
Temporarily restricted	-	-	86,718	3,210,306	-	-	3,297,024
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,078,247</u>	<u>-</u>	<u>1,078,247</u>
Total net assets	<u>4,328,612</u>	<u>5,686,349</u>	<u>86,718</u>	<u>3,210,306</u>	<u>1,078,247</u>	<u>-</u>	<u>14,390,232</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,052,209</u>	<u>\$ 7,635,204</u>	<u>\$ 86,718</u>	<u>\$ 3,210,306</u>	<u>\$ 1,078,247</u>	<u>\$ (25,473)</u>	<u>\$ 18,037,211</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAILED CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended May 31, 2013

	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	\$ 2,302,051	\$ -	\$ -	\$ 2,302,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,302,051
Charter and new member fees	33,584	-	-	33,584	-	-	-	-	-	33,584
United States and Canadian liability premiums	21,448	-	-	21,448	-	-	-	-	-	21,448
Contributions and other revenue	22,748	-	534,566	557,314	810	1,652,003	1,652,813	36,916	-	2,247,043
Convention registration	-	886,733	-	886,733	-	-	-	-	-	886,733
Convention events and programs	-	322,336	-	322,336	-	-	-	-	-	322,336
Grant revenue	-	-	47,455	47,455	-	-	-	-	(47,455)	-
Interest	24,032	-	-	24,032	-	-	-	-	-	24,032
Investment income, net	12,103	-	302,647	314,750	-	605,209	605,209	-	-	919,959
Merchandise sales	5,007	-	-	5,007	-	-	-	-	-	5,007
Exchange rate gain	71,507	-	-	71,507	-	-	-	-	-	71,507
Other gains (losses)	(3,679)	-	10,666	6,987	-	-	-	-	-	6,987
Net assets released from restrictions	-	-	3,123,433	3,123,433	-	(3,123,433)	(3,123,433)	-	-	-
Total revenue and support	2,488,801	1,209,069	4,018,767	7,716,637	810	(866,221)	(865,411)	36,916	(47,455)	6,840,687
EXPENSES										
Program services:										
Convention	-	1,068,338	-	1,068,338	-	-	-	-	-	1,068,338
Member services	1,171,196	-	-	1,171,196	-	-	-	-	(47,455)	1,123,741
Foundation programs	-	-	3,739,987	3,739,987	-	-	-	-	-	3,739,987
Support services:										
Management and general	860,779	-	-	860,779	-	-	-	-	-	860,779
Total expenses	2,031,975	1,068,338	3,739,987	6,840,300	-	-	-	-	(47,455)	6,792,845
CHANGE IN NET ASSETS	\$ 456,826	\$ 140,731	\$ 278,780	\$ 876,337	\$ 810	\$ (866,221)	\$ (865,411)	\$ 36,916	\$ -	\$ 47,842

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAIL OF MEMBER SERVICES AND MANAGEMENT AND GENERAL
Years Ended May 31, 2013 and 2012
(Excludes Foundation Transactions)

	<u>2013</u>	<u>2012</u>
MEMBER SERVICES		
Salaries	\$ 670,343	\$ 636,276
Payroll taxes and fringe	162,408	168,599
Temporary help	28,140	35,346
Outsourcing - finance and dues	49,502	172,669
Club mailings	2,951	3,236
Dues and subscriptions	2,407	2,183
Website	6,034	3,421
U.S./Canadian club liability expenses	16,923	17,295
Cost of sales	-	9,083
O&E supplies/recognition	9,390	12,120
Postage and shipping	21,549	18,523
Printing and copying	23,863	17,401
Office supplies	19,310	14,499
Staff development	5,526	6,764
Telephone	17,708	19,140
Communication expense	12,328	6,493
United Nations dues	500	865
CSW	25,845	14,655
Z Club expenses	3,500	3,500
Zontian magazine	92,969	100,516
	<u> </u>	<u> </u>
TOTAL MEMBER SERVICES	<u>\$ 1,171,196</u>	<u>\$ 1,262,584</u>
MANAGEMENT AND GENERAL		
International board expenses	\$ 154,270	\$ 97,666
International committee expenses	22,432	77,165
Conference representation	4,979	57,815
Governor's training	-	92,122
Consultants	7,563	13,675
Outsourcing IT	42,000	42,000
Internet	16,789	18,125
Maintenance	39,942	26,652
Equipment lease	24,636	43,631
Audit and tax consultants	34,101	37,635
Bank charges	57,788	61,840
Rent and utilities	228,657	225,542
Insurance expense	38,149	35,573
Legal fees	25,957	10,352
Consulting	8,425	-
Executive search fees	53,521	-
Payroll processing	2,709	3,172
Grant expense	47,455	-
Other expenses	2,700	5,293
Depreciation expense	48,706	91,104
	<u> </u>	<u> </u>
TOTAL MANAGEMENT AND GENERAL	<u>\$ 860,779</u>	<u>\$ 939,362</u>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
 DETAIL OF CONVENTION EXPENSES
 Year Ended May 31, 2013
 (Excludes Foundation Transactions)**

TORINO CONVENTION EXPENSES

Fixed costs	\$ 45,405
Site visits and planning	364
Transportation	28,306
Registration	127,404
Staff	39,593
Meals and lodging	15,492
Credit card fees	58,328
Postage and shipping	1,404
Printing and signs	3,926
Communications	3,645
Electronic voting	82,551
Speakers	1,642
Photographer	3,510
Verbatim reporter	10,120
Equipment rental	161,032
Gifts	1,859
Opening ceremonies	110,822
Fashion show	71,831
Hospitality room	8,740
Coffee breaks	11,566
President's reception	9,798
Forum	14,506
Closing banquet	228,902
Other services	25,376
Other	<u>2,216</u>

TOTAL CONVENTION EXPENSES **\$ 1,068,338**

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAIL OF PROGRAM EXPENSES
Years Ended May 31, 2013 and 2012
(Excludes Zonta International Transactions)

	<u>2013</u>	<u>2012</u>
PROGRAM EXPENSES		
Direct expenses:		
Awards	\$ 3,671,475	\$ 588,275
Donor recognition	47,455	-
Committee expenses	<u>21,057</u>	<u>1,807</u>
 TOTAL PROGRAM EXPENSES	 <u>\$ 3,739,987</u>	 <u>\$ 590,082</u>