

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

**CONSOLIDATED FINANCIAL STATEMENTS  
May 31, 2014 and 2013**



**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, 2014, 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, 2014, 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 2013 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated November 7, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2013, 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  
December 17, 2014

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**May 31, 2014**  
**(With Summarized Financial Information as of May 31, 2013)**

	<b>ASSETS</b>				<b>2013</b>
	<b>2014</b>			<b>Total</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>		
	<b>Total</b>			<b>Total</b>	
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 8,850,174	\$ 86,847	\$ -	\$ 8,937,021	\$ 6,729,311
Receivables	16,475	-	-	16,475	109,326
Inventory	2,069	-	-	2,069	2,184
Prepaid expenses:					
Convention	215,348	-	-	215,348	64,538
Other	67,165	-	-	67,165	91,084
Total current assets	9,151,231	86,847	-	9,238,078	6,996,443
<b>INVESTMENTS</b>	4,833,546	5,431,625	1,120,875	11,386,046	10,967,506
<b>OFFICE EQUIPMENT AND COMPUTERS,</b> net of accumulated depreciation of \$400,299 and \$367,962 for 2014 and 2013, respectively	113,922	-	-	113,922	53,897
<b>OTHER ASSETS</b>	19,365	-	-	19,365	19,365
<b>TOTAL ASSETS</b>	<b>\$ 14,118,064</b>	<b>\$ 5,518,472</b>	<b>\$ 1,120,875</b>	<b>\$ 20,757,411</b>	<b>\$ 18,037,211</b>

**LIABILITIES AND NET ASSETS**

	<b>2014</b>			<b>2013</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 285,582	\$ -	\$ -	\$ 285,582	\$ 196,887
Grants payable	300,000	-	-	300,000	1,910,938
Capital lease obligation	-	-	-	-	1,732
Deferred revenue:					
Membership	1,766,894	-	-	1,766,894	1,518,755
Convention	776,231	-	-	776,231	18,667
Total current liabilities	3,128,707	-	-	3,128,707	3,646,979
<b>NET ASSETS</b>					
Unrestricted:					
Undesignated	10,463,808	-	-	10,463,808	9,481,215
Board designated - Convention Fund	525,549	-	-	525,549	533,746
Total unrestricted	10,989,357	-	-	10,989,357	10,014,961
Temporarily restricted	-	5,518,472	-	5,518,472	3,297,024
Permanently restricted	-	-	1,120,875	1,120,875	1,078,247
Total net assets	10,989,357	5,518,472	1,120,875	17,628,704	14,390,232
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,118,064</b>	<b>\$ 5,518,472</b>	<b>\$ 1,120,875</b>	<b>\$ 20,757,411</b>	<b>\$ 18,037,211</b>

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, 2014  
(With Summarized Financial Information for the Year Ended May 31, 2013)

	<u>2014</u>			<u>2013</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>					
Membership dues and fees	\$ 2,199,471	\$ -	\$ -	\$ 2,199,471	\$ 2,302,051
Charter and new member fees	43,584	-	-	43,584	33,584
U.S. and Canadian liability premiums	25,068	-	-	25,068	21,448
Contributions and other revenue	852,781	2,066,017	42,628	2,961,426	2,247,043
Returned grant funds	-	131,000	-	131,000	-
Convention registration	-	-	-	-	886,733
Convention events and programs	-	-	-	-	322,336
Interest	9,848	-	-	9,848	24,032
Investment income, net	233,634	565,105	-	798,739	919,959
Merchandise sales	6,631	-	-	6,631	5,007
Exchange rate gain	60,703	-	-	60,703	71,507
Other gains	10,667	-	-	10,667	6,987
Net assets released from restrictions	540,674	(540,674)	-	-	-
	<u>3,983,061</u>	<u>2,221,448</u>	<u>42,628</u>	<u>6,247,137</u>	<u>6,840,687</u>
Total revenue and support					
<b>EXPENSES</b>					
Program services:					
Convention	8,197	-	-	8,197	1,068,338
Member services	1,505,312	-	-	1,505,312	1,123,741
Foundation programs	540,750	-	-	540,750	3,739,987
Support services:					
Management and general	954,406	-	-	954,406	860,779
	<u>3,008,665</u>	<u>-</u>	<u>-</u>	<u>3,008,665</u>	<u>6,792,845</u>
Total expenses					
<b>CHANGE IN NET ASSETS</b>	974,396	2,221,448	42,628	3,238,472	47,842
<b>NET ASSETS, BEGINNING OF YEAR</b>	<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>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,989,357</u>	<u>\$ 5,518,472</u>	<u>\$ 1,120,875</u>	<u>\$ 17,628,704</u>	<u>\$ 14,390,232</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,238,472	\$ 47,842
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,337	48,704
Net realized and unrealized gains on investments	(524,368)	(626,683)
Dividend reinvestments	(303,030)	(249,827)
Contributions restricted for long-term investment	(42,628)	(36,916)
Effects of changes in operating assets and liabilities:		
Receivables	92,851	(85,193)
Inventory	115	2,720
Prepaid expenses and other assets	(126,891)	208,874
Accounts payable and accrued expenses	88,695	111,857
Grants payable	(1,610,938)	1,685,938
Deferred membership revenue	248,139	184,920
Deferred convention revenue	<u>757,564</u>	<u>(18,058)</u>
Net cash provided by operating activities	<u>1,850,318</u>	<u>1,274,178</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of office and computer equipment	(92,362)	(14,164)
Purchase of investments	(3,384,954)	(198,995)
Proceeds from sale of investments	<u>3,793,812</u>	<u>1,634,512</u>
Net cash provided by investing activities	<u>316,496</u>	<u>1,421,353</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	(1,732)	(3,929)
Contributions restricted for investment in endowment	<u>42,628</u>	<u>36,916</u>
Net cash provided by financing activities	<u>40,896</u>	<u>32,987</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,207,710	2,728,518
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,729,311</u>	<u>4,000,793</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 8,937,021</u>	<u>\$ 6,729,311</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, 2014 and 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Zonta International (Zonta) is a global, nonprofit 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 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 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, 2014 and 2013**

**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, 2014 and 2013**

**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, 2014 and 2013**

**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, 2014 and 2013.

The federal and state tax returns of Zonta and the Foundation for the years 2011, 2012, and 2013 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended May 31, 2013, from which the summarized consolidated financial information was derived.

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2014 and 2013**

**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, 2014 are as follows:

<b><u>May 31, 2014</u></b>	<b><u>Fair Value</u></b>	<b><u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u></b>	<b><u>Significant Other Observable Inputs (Level 2)</u></b>	<b><u>Significant Other Unobservable Inputs (Level 3)</u></b>
Certificates of deposit	\$ 1,620,479	\$ -	\$ 1,620,479	\$ -
Mutual funds - fixed-income	3,873,454	-	3,873,454	-
Mutual funds - equities	4,830,988	4,830,988	-	-
Mutual funds - index fund	<u>1,061,125</u>	<u>1,061,125</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 11,386,046</u></b>	<b><u>\$ 5,892,113</u></b>	<b><u>\$ 5,493,933</u></b>	<b><u>\$ -</u></b>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2014 and 2013**

**NOTE 2 - FAIR VALUE MEASUREMENTS** (continued)

Fair values of assets measured on a recurring basis at May 31, 2013 are as follows:

<b>May 31, 2013</b>	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
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>
<b>Total</b>	<b><u>\$ 10,967,506</u></b>	<b><u>\$ 3,874,640</u></b>	<b><u>\$ 7,092,866</u></b>	<b><u>\$ -</u></b>

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:

	<b>2014</b>		
	<b><u>Zonta</u></b>	<b><u>Foundation</u></b>	<b><u>Total</u></b>
Cash	\$ 3,653,608	\$ 2,458,258	\$ 6,111,866
Money market fund	<u>2,528,398</u>	<u>296,757</u>	<u>2,825,155</u>
<b>Total</b>	<b><u>\$ 6,182,006</u></b>	<b><u>\$ 2,755,015</u></b>	<b><u>\$ 8,937,021</u></b>
	<b>2013</b>		
	<b><u>Zonta</u></b>	<b><u>Foundation</u></b>	<b><u>Total</u></b>
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>
<b>Total</b>	<b><u>\$ 4,376,410</u></b>	<b><u>\$ 2,352,901</u></b>	<b><u>\$ 6,729,311</u></b>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2014 and 2013**

**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 \$1,618,232 and \$1,161,253 at Bank of America in an Euro account in London, England, at May 31, 2014 and 2013, 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:

	<b>2014</b>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificate of deposit	\$ 1,615,000	\$ 1,620,479	\$ 5,479
Mutual funds - fixed-income	3,838,149	3,873,454	35,305
Mutual funds – equities	4,478,428	4,830,988	352,560
Mutual funds - index fund	<u>721,964</u>	<u>1,061,125</u>	<u>339,161</u>
<b>Total</b>	<u>\$10,653,541</u>	<u>\$11,386,046</u>	<u>\$ 732,505</u>
	<b>2013</b>		
	<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>
<b>Total</b>	<u>\$10,598,991</u>	<u>\$10,967,506</u>	<u>\$ 368,515</u>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2014 and 2013**

**NOTE 4 - INVESTMENTS** (continued)

Investment income at May 31 consists of the following:

	<u>2014</u>	<u>2013</u>
Unrealized gains (losses), net	\$ 339,824	\$ 693,947
Realized gains (losses), net	184,544	(67,264)
Investment income	319,570	334,801
Investment management fees	<u>(45,199)</u>	<u>(41,525)</u>
<b>Total</b>	<u>\$ 798,739</u>	<u>\$ 919,959</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>2014</u>	<u>2013</u>
Office equipment	\$ 71,910	\$ 67,255
Computers	<u>442,311</u>	<u>354,604</u>
Total, at cost	514,221	421,859
Less accumulated depreciation	<u>400,299</u>	<u>367,962</u>
<b>Office equipment and computers, net</b>	<u>\$ 113,922</u>	<u>\$ 53,897</u>

Depreciation expense on office equipment and computers for the years ended May 31, 2014 and 2013 totaled \$32,337 and \$48,704, respectively.



**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
May 31, 2014 and 2013**

**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, 2014 and 2013, as the amount approximates zero. The commitments outstanding at May 31, 2014 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, 2014 and 2013 is \$15,909 and \$14,053, respectively. This lease was fully paid during the year ended May 31, 2014.

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of May 31, 2014 and 2013 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Eva Mowbray	\$ 86,847	\$ 86,718
International Service Program	1,187,253	-
ZISVAW Program	2,322,071	1,517,099
YWPA Program	522,014	470,921
Jane M. Klausman Women in Business Scholarship Program	541,168	498,247
Endowment fund	<u>859,119</u>	<u>724,039</u>
<b>Total</b>	<b><u>\$ 5,518,472</u></b>	<b><u>\$ 3,297,024</u></b>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2014 and 2013**

**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>2014</u>	<u>2013</u>
Amelia Earhart Fellowship Program	\$ 350,449	\$ 291,701
International Service Program	-	2,672,657
YWPA Program	73,525	47,475
Jane M. Klausman Women in Business Scholarship Program	<u>116,700</u>	<u>111,600</u>
<b>Total</b>	<u>\$ 540,674</u>	<u>\$ 3,123,433</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 accounting principles generally accepted in the United States of America, 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, 2014 and 2013**

**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, 2014 and 2013**

**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:

	<b>2014</b>			
	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor restricted:				
General endowment fund	\$ -	\$ 859,119	\$ 889,775	\$ 1,748,894
Program specific endowment fund	-	-	231,100	231,100
<b>Total</b>	\$ -	\$ 859,119	\$ 1,120,875	\$ 1,979,994
	<b>2013</b>			
	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor restricted:				
General endowment fund	\$ -	\$ 724,039	\$ 847,147	\$ 1,571,186
Program specific endowment fund	-	-	231,100	231,100
<b>Total</b>	\$ -	\$ 724,039	\$ 1,078,247	\$ 1,802,286

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2014 and 2013**

**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>
<b>Balance, May 31, 2012</b>	\$ -	\$ 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
<b>Balance, May 31, 2013</b>	-	724,039	1,078,247	1,802,286
Investment return:				
Investment income	-	48,840	-	48,840
Net appreciation	-	86,240	-	86,240
Total	-	135,080	-	135,080
Contributions	-	-	42,628	42,628
<b>Balance, May 31, 2014</b>	<u>\$ -</u>	<u>\$ 859,119</u>	<u>\$ 1,120,875</u>	<u>\$ 1,979,994</u>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2014 and 2013**

**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:

2015	\$ 228,145
2016	233,069
2017	237,993
2018	242,917
2019	247,841
Thereafter	<u>20,927</u>
<b>Total</b>	<b><u>\$ 1,210,892</u></b>

Rental expense for the years ended May 31, 2014 and 2013 was \$223,221 and \$218,297, 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 \$24,647 and \$26,049 for the years ended May 31, 2014 and 2013, respectively.

**NOTE 13 - CONCENTRATIONS**

The Organization relies on dues as its primary source of revenue, excluding convention activities. For the years ended May 31, 2014 and 2013, 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, 2014 and 2013**

**NOTE 14 - CASH FLOW DISCLOSURES**

There was no cash paid for interest or taxes for the years ended May 31, 2014 and 2013. There were no non-cash investing and financing transactions for the years ended May 31, 2014 and 2013.

**NOTE 15 - SUBSEQUENT EVENTS**

Management evaluated subsequent events through December 17, 2014, the date the consolidated financial statements were available to be issued. Events or transactions occurring after May 31, 2014, but prior to December 17, 2014 that provided additional evidence about conditions that existed at May 31, 2014, have been recognized in the consolidated financial statements for the year ended May 31, 2014. Events or transactions that provided evidence about conditions that did not exist at May 31, 2014, 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, 2014.

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, 2014**

**ASSETS**

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Permanently</u>	<u>Eliminations</u>	<u>Total</u>
	<u>Zonta</u>	<u>Foundation</u>	<u>Zonta</u>	<u>Foundation</u>	<u>Restricted</u> <u>Foundation</u>		
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 6,095,159	\$ 2,755,015	\$ 86,847	\$ -	\$ -	\$ -	\$ 8,937,021
Receivables	3,148	13,327	-	-	-	-	16,475
Inventory	2,069	-	-	-	-	-	2,069
Prepaid expenses:							
Convention	215,348	-	-	-	-	-	215,348
Other	62,772	4,393	-	-	-	-	67,165
Due from Zonta International	-	24,133	-	-	-	(24,133)	-
Total current assets	6,378,496	2,796,868	86,847	-	-	(24,133)	9,238,078
<b>INVESTMENTS</b>	617,034	4,216,512	-	5,431,625	1,120,875	-	11,386,046
<b>OFFICE EQUIPMENT AND COMPUTERS, net</b> of accumulated depreciation of \$400,299	113,922	-	-	-	-	-	113,922
<b>OTHER ASSETS</b>	19,365	-	-	-	-	-	19,365
<b>TOTAL ASSETS</b>	<u>\$ 7,128,817</u>	<u>\$ 7,013,380</u>	<u>\$ 86,847</u>	<u>\$ 5,431,625</u>	<u>\$ 1,120,875</u>	<u>\$ (24,133)</u>	<u>\$ 20,757,411</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>		
<b>CURRENT LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 272,415	\$ 13,167	\$ -	\$ -	\$ -	\$ -	\$ 285,582
Grants payable	-	300,000	-	-	-	-	300,000
Due to Zonta International Foundation	24,133	-	-	-	-	(24,133)	-
Deferred revenue:							
Membership	1,766,894	-	-	-	-	-	1,766,894
Other	768,231	8,000	-	-	-	-	776,231
Total current liabilities	<u>2,831,673</u>	<u>321,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,133)</u>	<u>3,128,707</u>
<b>NET ASSETS</b>							
Unrestricted:							
Undesignated	3,771,595	6,692,213	-	-	-	-	10,463,808
Board designated - Convention Fund	525,549	-	-	-	-	-	525,549
Total unrestricted	<u>4,297,144</u>	<u>6,692,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,989,357</u>
Temporarily restricted	-	-	86,847	5,431,625	-	-	5,518,472
Permanently restricted	-	-	-	-	1,120,875	-	1,120,875
Total net assets	<u>4,297,144</u>	<u>6,692,213</u>	<u>86,847</u>	<u>5,431,625</u>	<u>1,120,875</u>	<u>-</u>	<u>17,628,704</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,128,817</u>	<u>\$ 7,013,380</u>	<u>\$ 86,847</u>	<u>\$ 5,431,625</u>	<u>\$ 1,120,875</u>	<u>\$ (24,133)</u>	<u>\$ 20,757,411</u>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION  
 DETAILED CONSOLIDATING SCHEDULE OF ACTIVITIES  
 Year Ended May 31, 2014**

	Unrestricted			Temporarily Restricted			Permanently Restricted			
	Undesignated	Convention Fund	Foundation Funds	Total Unrestricted	Eva	Foundation Funds	Total Temporarily Restricted	Endowment	Eliminations	Total
					Mowbray Fund					
<b>REVENUE AND SUPPORT</b>										
Membership dues and fees	\$ 2,199,471	\$ -	\$ -	\$ 2,199,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,199,471
Charter and new member fees	43,584	-	-	43,584	-	-	-	-	-	43,584
United States and Canadian liability premiums	25,068	-	-	25,068	-	-	-	-	-	25,068
Contributions and other revenue	22,789	-	829,992	852,781	129	2,065,888	2,066,017	42,628	-	2,961,426
Grant revenue	-	-	2,768	2,768	-	-	-	-	(2,768)	-
Returned grant funds	-	-	-	-	-	131,000	131,000	-	-	131,000
Interest	9,848	-	-	9,848	-	-	-	-	-	9,848
Investment income, net	7,492	-	226,142	233,634	-	565,105	565,105	-	-	798,739
Merchandise sales	6,631	-	-	6,631	-	-	-	-	-	6,631
Exchange rate gain	60,703	-	-	60,703	-	-	-	-	-	60,703
Other gains	-	-	10,667	10,667	-	-	-	-	-	10,667
Net assets released from restrictions	-	-	540,674	540,674	-	(540,674)	(540,674)	-	-	-
<b>Total revenue and support</b>	<b>2,375,586</b>	<b>-</b>	<b>1,610,243</b>	<b>3,985,829</b>	<b>129</b>	<b>2,221,319</b>	<b>2,221,448</b>	<b>42,628</b>	<b>(2,768)</b>	<b>6,247,137</b>
<b>EXPENSES</b>										
Program services:										
Convention	-	8,197	-	8,197	-	-	-	-	-	8,197
Member services	1,508,080	-	-	1,508,080	-	-	-	-	(2,768)	1,505,312
Foundation programs	-	-	540,750	540,750	-	-	-	-	-	540,750
Support services:										
Management and general	890,777	-	63,629	954,406	-	-	-	-	-	954,406
<b>Total expenses</b>	<b>2,398,857</b>	<b>8,197</b>	<b>604,379</b>	<b>3,011,433</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,768)</b>	<b>3,008,665</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (23,271)</b>	<b>\$ (8,197)</b>	<b>\$ 1,005,864</b>	<b>\$ 974,396</b>	<b>\$ 129</b>	<b>\$ 2,221,319</b>	<b>\$ 2,221,448</b>	<b>\$ 42,628</b>	<b>\$ -</b>	<b>\$ 3,238,472</b>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION**  
**DETAIL OF MEMBER SERVICES AND MANAGEMENT AND GENERAL**  
**Years Ended May 31, 2014 and 2013**  
**(Excludes Foundation Transactions)**

	<u>2014</u>	<u>2013</u>
<b>MEMBER SERVICES</b>		
Salaries	\$ 791,748	\$ 670,343
Payroll taxes and fringe	189,209	162,408
Temporary help	38,710	28,140
Outsourcing - finance and dues	49,740	49,502
Club mailings	15,295	2,951
Dues and subscriptions	6,378	2,407
Website	17,653	6,034
U.S./Canadian club liability expenses	19,613	16,923
O&E supplies/recognition	24,949	9,390
Postage and shipping	27,856	21,549
Printing and copying	18,634	23,863
Office supplies	16,694	19,310
Staff development	7,426	5,526
Telephone	16,221	17,708
Communication expense	37,002	12,328
United Nations dues	4,151	500
CSW	37,434	25,845
Z Club expenses	3,500	3,500
Zontian magazine	185,867	92,969
	<hr/>	<hr/>
<b>TOTAL MEMBER SERVICES</b>	<b>\$ 1,508,080</b>	<b>\$ 1,171,196</b>
	<hr/>	<hr/>
<b>MANAGEMENT AND GENERAL</b>		
International board expenses	\$ 109,605	\$ 154,270
International committee expenses	77,457	22,432
Conference representation	50,099	4,979
Governor's training	87,531	-
Consultants	12,334	7,563
Outsourcing IT	42,000	42,000
Internet	17,196	16,789
Maintenance	35,916	39,942
Equipment lease	21,815	24,636
Audit and tax consultants	37,362	34,101
Bank charges	58,485	57,788
Rent and utilities	234,342	228,657
Insurance expense	47,344	38,149
Legal fees	6,687	25,957
Consulting	9,100	8,425
Executive search fees	-	53,521
Payroll processing	3,022	2,709
Grant expense	2,768	47,455
Other expenses	5,377	2,700
Depreciation expense	32,337	48,706
	<hr/>	<hr/>
<b>TOTAL MANAGEMENT AND GENERAL</b>	<b>\$ 890,777</b>	<b>\$ 860,779</b>
	<hr/>	<hr/>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION  
DETAIL OF CONVENTION EXPENSES  
Year Ended May 31, 2014  
(Excludes Foundation Transactions)**

**ORLANDO CONVENTION EXPENSES**

Site visits and planning	\$ 2,247
Staff	444
Bank charges	<u>4,906</u>

Total Orlando convention expenses 7,597

**2016 CONVENTION EXPENSES**

Site visits and planning	<u>600</u>
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**TOTAL CONVENTION EXPENSES**

\$ 8,197