

**ZONTA INTERNATIONAL AND
AFFILIATED FOUNDATION**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2015 AND 2014



CliftonLarsonAllen

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
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INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2015, 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 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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

CliftonLarsonAllen LLP

Oak Brook, Illinois
December 17, 2015

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MAY 31, 2015
(WITH SUMMARIZED TOTALS FOR MAY 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 4,888,964	\$ 86,872	\$ -	\$ 4,975,836	\$ 8,937,021
Contributions Receivable	76,271	-	296,000	372,271	-
Receivables	11,374	-	-	11,374	16,475
Inventory	1,838	-	-	1,838	2,069
Prepaid Expenses:					
Convention	50,198	-	-	50,198	215,348
Other	77,429	-	-	77,429	67,165
Total Current Assets	5,106,074	86,872	296,000	5,488,946	9,238,078
INVESTMENTS	9,122,539	3,054,372	1,176,598	13,353,509	11,386,046
OFFICE EQUIPMENT AND COMPUTERS, Net of Accumulated Depreciation of \$431,385 and \$400,299 for 2015 and 2014, Respectively	82,836	-	-	82,836	113,922
OTHER ASSETS	19,365	-	-	19,365	19,365
 Total Assets	 \$ 14,330,814	 \$ 3,141,244	 \$ 1,472,598	 \$ 18,944,656	 \$ 20,757,411

See accompanying Notes to Consolidated Financial Statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
MAY 31, 2015
(WITH SUMMARIZED TOTALS FOR MAY 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 192,506	\$ -	\$ -	\$ 192,506	\$ 285,582
Grants Payable	1,862,520	-	-	1,862,520	300,000
Deferred Revenue:					
Membership	1,656,525	-	-	1,656,525	1,766,894
Convention	-	-	-	-	776,231
Total Current Liabilities	<u>3,711,551</u>	<u>-</u>	<u>-</u>	<u>3,711,551</u>	<u>3,128,707</u>
LONG-TERM LIABILITIES					
Deferred Rent	43,325	-	-	43,325	-
Total Liabilities	<u>3,754,876</u>	<u>-</u>	<u>-</u>	<u>3,754,876</u>	<u>3,128,707</u>
NET ASSETS					
Unrestricted:					
Undesignated	10,206,021	-	-	10,206,021	10,463,808
Board-Designated - Convention Fund	369,917	-	-	369,917	525,549
Total Unrestricted	<u>10,575,938</u>	<u>-</u>	<u>-</u>	<u>10,575,938</u>	<u>10,989,357</u>
Temporarily Restricted	-	3,141,244	-	3,141,244	5,518,472
Permanently Restricted	-	-	1,472,598	1,472,598	1,120,875
Total Net Assets	<u>10,575,938</u>	<u>3,141,244</u>	<u>1,472,598</u>	<u>15,189,780</u>	<u>17,628,704</u>
Total Liabilities and Net Assets	<u>\$ 14,330,814</u>	<u>\$ 3,141,244</u>	<u>\$ 1,472,598</u>	<u>\$ 18,944,656</u>	<u>\$ 20,757,411</u>

See accompanying Notes to Consolidated Financial Statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2015
(WITH SUMMARIZED TOTALS FOR MAY 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Membership Dues and Fees	\$ 2,357,973	\$ -	\$ -	\$ 2,357,973	\$ 2,199,471
Charter and New Member Fees	33,820	-	-	33,820	43,584
U.S. and Canadian Liability					
Premiums	24,414	-	-	24,414	25,068
Contributions	1,057,196	1,530,333	351,723	2,939,252	2,961,426
Returned Grant Funds	-	-	-	-	131,000
Convention Registration	587,893	-	-	587,893	-
Convention Events and Programs	314,660	-	-	314,660	-
Interest	8,806	-	-	8,806	9,848
Investment Income (Loss), Net	(83,535)	(27,082)	-	(110,617)	798,739
Merchandise Sales	2,229	-	-	2,229	6,631
Exchange Rate Gain (Loss)	(293,047)	-	-	(293,047)	60,703
Other Gains	8,000	-	-	8,000	10,667
Net Assets Released from Restrictions	3,880,479	(3,880,479)	-	-	-
Total Revenue and Support	7,898,888	(2,377,228)	351,723	5,873,383	6,247,137
EXPENSES					
Program Services:					
Convention	1,058,185	-	-	1,058,185	8,197
Member Services	1,230,443	-	-	1,230,443	1,505,312
Foundation Programs	4,701,889	-	-	4,701,889	540,750
Support Services:					
Management and General	1,230,669	-	-	1,230,669	954,406
Fundraising	91,121	-	-	91,121	-
Total Expenses	8,312,307	-	-	8,312,307	3,008,665
CHANGE IN NET ASSETS	(413,419)	(2,377,228)	351,723	(2,438,924)	3,238,472
Net Assets - Beginning of Year	10,989,357	5,518,472	1,120,875	17,628,704	14,390,232
NET ASSETS - END OF YEAR	<u>\$ 10,575,938</u>	<u>\$ 3,141,244</u>	<u>\$ 1,472,598</u>	<u>\$ 15,189,780</u>	<u>\$ 17,628,704</u>

See accompanying Notes to Consolidated Financial Statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2015
(WITH SUMMARIZED TOTALS FOR MAY 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,438,924)	\$ 3,238,472
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	31,085	32,337
Net Realized and Unrealized Losses (Gains) on Investments	546,561	(524,368)
Dividend Reinvestments	(472,454)	(303,030)
Contributions Restricted for Long-Term Investment	(351,723)	(42,628)
Effects of Changes in Operating Assets and Liabilities:		
Contributions Receivable	(372,271)	-
Receivables - Other	5,101	92,851
Inventory	231	115
Prepaid Expenses and Other Assets	154,886	(126,891)
Accounts Payable and Accrued Expenses	(93,076)	88,695
Grants Payable	1,562,520	(1,610,938)
Deferred Membership Revenue	(110,369)	248,139
Deferred Convention Revenue	(776,231)	757,564
Deferred Rent	43,325	-
Net Cash Provided (Used) by Operating Activities	(2,271,339)	1,850,318
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Office and Computer Equipment	-	(92,362)
Purchase of Investments	(2,782,610)	(3,384,954)
Proceeds from Sale of Investments	741,041	3,793,812
Net Cash Provided (Used) by Investing Activities	(2,041,569)	316,496
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	-	(1,732)
Contributions Restricted for Investment in Endowment	351,723	42,628
Net Cash Provided by Financing Activities	351,723	40,896
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,961,185)	2,207,710
Cash and Cash Equivalents - Beginning of Year	8,937,021	6,729,311
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,975,836	\$ 8,937,021

See accompanying Notes to Consolidated Financial Statements.

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015 AND 2014**

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, 2015 AND 2014**

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, 2015 AND 2014

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, 2015 AND 2014

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, 2015 and 2014.

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, 2014, from which the summarized consolidated financial information was derived.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015 AND 2014

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, 2015 and 2014 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3
<u>May 31, 2015</u>				
Certificates of Deposit	\$ 3,639,048	\$ -	\$ 3,639,048	\$ -
Mutual Funds - Fixed Income	3,853,285	3,853,285	-	-
Mutual Funds - Equities	4,674,753	4,674,753	-	-
Mutual Funds - Index Fund	1,186,423	1,186,423	-	-
Total	<u>\$ 13,353,509</u>	<u>\$ 9,714,461</u>	<u>\$ 3,639,048</u>	<u>\$ -</u>
<u>May 31, 2014</u>				
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	1,061,125	1,061,125	-	-
Total	<u>\$ 11,386,046</u>	<u>\$ 9,765,567</u>	<u>\$ 1,620,479</u>	<u>\$ -</u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015 AND 2014

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

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:

	2015		
	Zonta	Foundation	Total
Cash	\$ 2,748,050	\$ 1,282,547	\$ 4,030,597
Money Market Fund	6,933	938,306	945,239
Total	<u>\$ 2,754,983</u>	<u>\$ 2,220,853</u>	<u>\$ 4,975,836</u>
	2014		
	Zonta	Foundation	Total
Cash	\$ 3,653,608	\$ 2,458,258	\$ 6,111,866
Money Market Fund	2,528,398	296,757	2,825,155
Total	<u>\$ 6,182,006</u>	<u>\$ 2,755,015</u>	<u>\$ 8,937,021</u>

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 \$1,118,039 and \$1,618,232 at Bank of America in a Euro account in London, England, at May 31, 2015 and 2014 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.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015 AND 2014

NOTE 4 INVESTMENTS

Investments held by the Organization consist of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<u>May 31, 2015</u>			
Certificate of Deposit	\$ 3,643,000	\$ 3,639,048	\$ (3,952)
Mutual Funds - Fixed Income	4,059,955	3,853,285	(206,670)
Mutual Funds - Equities	4,756,154	4,674,753	(81,401)
Mutual Funds - Index Fund	743,767	1,186,423	442,656
Total	<u>\$ 13,202,876</u>	<u>\$ 13,353,509</u>	<u>\$ 150,633</u>
<u>May 31, 2014</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	721,964	1,061,125	339,161
Total	<u>\$ 10,653,541</u>	<u>\$ 11,386,046</u>	<u>\$ 732,505</u>

Investment income at May 31 consists of the following:

	2015	2014
Unrealized Gains (Losses), Net	\$ (546,561)	\$ 339,824
Realized Gains, Net	-	184,544
Investment Income	489,532	319,570
Investment Management Fees	(53,588)	(45,199)
Total	<u>\$ (110,617)</u>	<u>\$ 798,739</u>

Total 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:

	2015	2014
Office Equipment	\$ 71,910	\$ 71,910
Computers	442,311	442,311
Total, at Cost	<u>514,221</u>	<u>514,221</u>
Less: Accumulated Depreciation	431,385	400,299
Office Equipment and Computers, Net	<u>\$ 82,836</u>	<u>\$ 113,922</u>

Depreciation expense on office equipment and computers for the years ended May 31, 2015 and 2014 totaled \$31,085 and \$32,337, respectively.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014 was \$15,909. 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, 2015 and 2014 are available for the following purposes:

	2015	2014
Eva Mowbray	\$ 86,872	\$ 86,847
International Service Program	-	1,187,253
ZISVAW Program	1,188,139	2,322,071
YWPA Program	520,619	522,014
Jane M. Klausman Women in Business Scholarship Program	493,088	541,168
Endowment Fund	852,526	859,119
Total	\$ 3,141,244	\$ 5,518,472

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

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

	2015	2014
Amelia Earhart Fellowship Program	\$ 208,270	\$ 350,449
International Service Program	1,851,059	-
ZISVAW Program	1,630,000	-
YWPA Program	73,525	73,525
Jane M. Klausman Women in Business Scholarship Program	117,625	116,700
Total	\$ 3,880,479	\$ 540,674

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015 AND 2014

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.

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.

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015 AND 2014**

NOTE 10 ENDOWMENTS (CONTINUED)

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.

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

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted:				
General Endowment Fund	\$ -	\$ 852,526	\$ 1,241,498	\$ 2,094,024
Program Specific Endowment Fund	-	-	231,100	231,100
Total	<u>\$ -</u>	<u>\$ 852,526</u>	<u>\$ 1,472,598</u>	<u>\$ 2,325,124</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted:				
General Endowment Fund	\$ -	\$ 859,119	\$ 889,775	\$ 1,748,894
Program Specific Endowment Fund	-	-	231,100	231,100
Total	<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, 2015 AND 2014

NOTE 10 ENDOWMENTS (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
BALANCE - MAY 31, 2013	\$ -	\$ 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
BALANCE - MAY 31, 2014	-	859,119	1,120,875	1,979,994
Investment Return:				
Investment Income	-	61,681	-	61,681
Net Depreciation	-	(68,274)	-	(68,274)
Total	-	(6,593)	-	(6,593)
Contributions	-	-	351,723	351,723
BALANCE - MAY 31, 2015	<u>\$ -</u>	<u>\$ 852,526</u>	<u>\$ 1,472,598</u>	<u>\$ 2,325,124</u>

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 an original 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. The Organization entered into a first amendment to the original lease agreement, which extends the lease term through June 30, 2019. This amended lease agreement 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. The Organization records rent expense equally over the lease term and recognized the difference between the rent expense recorded and the amount paid as a deferred rent obligation on the consolidated statements of financial position. The Organization is also responsible for its share of operating expenses and real estate taxes.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2015 AND 2014

NOTE 11 OPERATING LEASE (CONTINUED)

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

<u>Year Ending May 31,</u>	<u>Amount</u>
2016	\$ 233,069
2017	237,993
2018	242,917
2019	247,841
2020	20,927
Total	<u>\$ 982,747</u>

Rent expense for the years ended May 31, 2015 and 2014 was \$281,498 and \$229,100, 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 \$33,743 and \$24,647 for the years ended May 31, 2015 and 2014, respectively.

NOTE 13 CONCENTRATIONS

The Organization relies on dues as its primary source of revenue, excluding convention activities. For the years ended May 31, 2015 and 2014, 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, 2015 AND 2014**

NOTE 14 CASH FLOW DISCLOSURES

There was no cash paid for interest or taxes for the years ended May 31, 2015 and 2014. There were no non-cash investing and financing transactions for the years ended May 31, 2015 and 2014.

NOTE 15 SUBSEQUENT EVENTS

Management evaluated subsequent events through December 17, 2015, the date the consolidated financial statements were available to be issued. Events or transactions occurring after May 31, 2015, but prior to December 17, 2015 that provided additional evidence about conditions that existed at May 31, 2015, have been recognized in the consolidated financial statements for the year ended May 31, 2015. Events or transactions that provided evidence about conditions that did not exist at May 31, 2015, 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, 2015.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAILED CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
MAY 31, 2015

	Unrestricted		Temporarily Restricted		Permanently Restricted	Eliminations	Total
	Zonta	Foundation	Zonta	Foundation	Foundation		
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 2,668,111	\$ 2,220,853	\$ 86,872	\$ -	\$ -	\$ -	\$ 4,975,836
Contributions Receivable, Net	-	76,271	-	-	296,000	-	372,271
Receivables - Other	9,064	2,310	-	-	-	-	11,374
Inventory	1,838	-	-	-	-	-	1,838
Prepaid Expenses:							
Convention	50,198	-	-	-	-	-	50,198
Other	72,976	4,453	-	-	-	-	77,429
Due from Zonta International	-	103,449	-	-	-	(103,449)	-
Total Current Assets	<u>2,802,187</u>	<u>2,407,336</u>	<u>86,872</u>	<u>-</u>	<u>296,000</u>	<u>(103,449)</u>	<u>5,488,946</u>
INVESTMENTS	3,138,841	5,983,698	-	3,054,372	1,176,598	-	13,353,509
OFFICE EQUIPMENT AND COMPUTERS, Net							
of Accumulated Depreciation of \$431,385	82,836	-	-	-	-	-	82,836
OTHER ASSETS	<u>19,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,365</u>
 Total Assets	 <u><u>\$ 6,043,229</u></u>	 <u><u>\$ 8,391,034</u></u>	 <u><u>\$ 86,872</u></u>	 <u><u>\$ 3,054,372</u></u>	 <u><u>\$ 1,472,598</u></u>	 <u><u>\$ (103,449)</u></u>	 <u><u>\$ 18,944,656</u></u>

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAILED CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
MAY 31, 2015

	Unrestricted		Temporarily Restricted		Permanently Restricted	Eliminations	Total
	Zonta	Foundation	Zonta	Foundation	Foundation		
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts Payable and Accrued Expenses	\$ 186,464	\$ 6,042	\$ -	\$ -	\$ -	\$ -	\$ 192,506
Grants Payable	-	1,862,520	-	-	-	-	1,862,520
Due to Zonta International Foundation	103,449	-	-	-	-	(103,449)	-
Deferred Revenue:							
Membership	1,656,525	-	-	-	-	-	1,656,525
Total Current Liabilities	1,946,438	1,868,562	-	-	-	(103,449)	3,711,551
LONG TERM LIABILITIES							
Deferred Rent	43,325	-	-	-	-	-	43,325
Total Liabilities	1,989,763	1,868,562	-	-	-	(103,449)	3,754,876
NET ASSETS							
Unrestricted:							
Undesignated	3,683,549	6,522,472	-	-	-	-	10,206,021
Board-Designated - Convention Fund	369,917	-	-	-	-	-	369,917
Total Unrestricted	4,053,466	6,522,472	-	-	-	-	10,575,938
Temporarily Restricted	-	-	86,872	3,054,372	-	-	3,141,244
Permanently Restricted	-	-	-	-	1,472,598	-	1,472,598
Total Net Assets	4,053,466	6,522,472	86,872	3,054,372	1,472,598	-	15,189,780
 Total Liabilities and Net Assets	 \$ 6,043,229	 \$ 8,391,034	 \$ 86,872	 \$ 3,054,372	 \$ 1,472,598	 \$ (103,449)	 \$ 18,944,656

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAILED CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED MAY 31, 2015**

	Unrestricted			Temporarily Restricted			Permanently Restricted			
	Undesignated	Convention Fund	Foundation Funds	Total Unrestricted	Eva Mowbray Fund	Foundation Funds	Total Temporarily Restricted	Endowment	Eliminations	Total
REVENUE AND SUPPORT										
Membership Dues and Fees	\$ 2,357,973	\$ -	\$ -	\$ 2,357,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,357,973
Charter and New Member Fees	33,820	-	-	33,820	-	-	-	-	-	33,820
United States and Canadian Liability Premiums	24,414	-	-	24,414	-	-	-	-	-	24,414
Contributions	110,668	-	946,528	1,057,196	25	1,530,308	1,530,333	351,723	(463,297)	2,475,955
Convention Registration	-	587,893	-	587,893	-	-	-	-	-	587,893
Convention Events and Programs	-	314,660	-	314,660	-	-	-	-	-	314,660
Interest	8,806	-	-	8,806	-	-	-	-	-	8,806
Investment Loss, Net	(7,915)	-	(75,620)	(83,535)	-	(27,082)	(27,082)	-	-	(110,617)
Merchandise Sales	2,229	-	-	2,229	-	-	-	-	-	2,229
Exchange Rate Gain	(293,047)	-	-	(293,047)	-	-	-	-	-	(293,047)
Other Gains	-	-	8,000	8,000	-	-	-	-	-	8,000
Net Assets Released from Restrictions	-	-	3,880,479	3,880,479	-	(3,880,479)	(3,880,479)	-	-	-
Total Revenue and Support	2,236,948	902,553	4,759,387	7,898,888	25	(2,377,253)	(2,377,228)	351,723	(463,297)	5,410,086
EXPENSES										
Program Services:										
Convention	-	1,058,185	-	1,058,185	-	-	-	-	-	1,058,185
Member Services	1,230,443	-	-	1,230,443	-	-	-	-	-	1,230,443
Foundation Programs	-	-	4,701,889	4,701,889	-	-	-	-	-	4,701,889
Support Services:										
Management and General	1,094,551	-	136,118	1,230,669	-	-	-	-	(463,297)	767,372
Fundraising	-	-	91,121	91,121	-	-	-	-	-	91,121
Total Expenses	2,324,994	1,058,185	4,929,128	8,312,307	-	-	-	-	(463,297)	7,849,010
CHANGE IN NET ASSETS	\$ (88,046)	\$ (155,632)	\$ (169,741)	\$ (413,419)	\$ 25	\$ (2,377,253)	\$ (2,377,228)	\$ 351,723	\$ -	\$ (2,438,924)

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
DETAIL OF MEMBER SERVICES AND MANAGEMENT AND GENERAL
YEARS ENDED MAY 31, 2015 AND 2014
(EXCLUDES FOUNDATION TRANSACTIONS)

	2015	2014
MEMBER SERVICES		
Salaries	\$ 704,046	\$ 791,748
Payroll Taxes and Fringe	215,464	189,209
Temporary Help	23,134	38,710
Outsourcing - Finance and Dues	49,740	49,740
Club Mailings	3,536	15,295
Dues and Subscriptions	3,408	6,378
Website	5,731	17,653
U.S./Canadian Club Liability Expenses	23,649	19,613
O&E Supplies/Recognition	5,447	24,949
Postage and Shipping	2,272	27,856
Printing and Copying	17,920	18,634
Office Supplies	12,272	16,694
Staff Development	7,204	7,426
Telephone	20,421	16,221
Communication Expense	26,089	37,002
United Nations Dues	1,398	4,151
CSW	18,099	37,434
Z Club Expenses	3,750	3,500
Zontian Magazine	86,863	185,867
	<u>\$ 1,230,443</u>	<u>\$ 1,508,080</u>
Total Member Services		
	<u>\$ 1,230,443</u>	<u>\$ 1,508,080</u>
MANAGEMENT AND GENERAL		
International Board Expenses	98,048	\$ 109,605
International Committee Expenses	41,990	77,457
Conference Representation	3,208	50,099
Governor's Training	207	87,531
Leadership Training	14,576	-
Consultants	6,927	12,334
Outsourcing IT	47,233	42,000
Internet	18,598	17,196
Maintenance	25,511	35,916
Equipment Lease	18,447	21,815
Audit and Tax Consultants	34,173	37,362
Bank Charges	39,162	58,485
Rent and Utilities	288,613	234,342
Insurance Expense	47,035	47,344
Legal Fees	7,558	6,687
Consulting	-	9,100
Payroll Processing	2,289	3,022
Grant Expense	367,297	2,768
Other Expenses	2,594	5,377
Depreciation Expense	31,085	32,337
	<u>\$ 1,094,551</u>	<u>\$ 890,777</u>
Total Management and General		
	<u>\$ 1,094,551</u>	<u>\$ 890,777</u>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
 DETAIL OF CONVENTION EXPENSES
 YEAR ENDED MAY 31, 2015
 (EXCLUDES FOUNDATION TRANSACTIONS)**

ORLANDO CONVENTION EXPENSES

Awards	\$ 3,271
Convention Allocation	136,358
Electronic Voting	37,530
Events and Entertainment	247,892
Food and Beverage	128,716
Foundation	27,258
Information Technology	7,019
Meetings	3,124
Other	86,706
Printing	16,148
Registration Materials and Expenses	119,368
Site Visits and Planning	2,846
Speakers	40,201
Staff	15,390
Supplies	35,787
Travel	2,959
Venue	132,486
Verbatim Report	8,988
Total Orlando Convention Expenses	<u>1,052,047</u>

2016 & 2018 CONVENTION EXPENSES

Site Visits and Planning	<u>6,138</u>
Total Convention Expenses	<u><u>\$ 1,058,185</u></u>

**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
 DETAIL OF FOUNDATION EXPENSES
 YEAR ENDED MAY 31, 2015
 (EXCLUDES ZONTA INTERNATIONAL TRANSACTIONS)**

FOUNDATION PROGRAMS

Awards	\$ 4,561,830
Salaries	101,275
Printing, Publications, and Artwork	9,425
Postage, Shipping and Delivery	27,800
Travel	1,559
Total Foundation Programs	<u>4,701,889</u>

MANAGEMENT AND GENERAL

Temporary Help	14,189
Management Fees	96,000
Bank Fees	25,929
Total Management and General	<u>136,118</u>

FUNDRAISING

Annuity Payments	1,807
Donor Recognition	12,549
Campaign	73,096
State Licensing Fees	1,050
Branding	2,619
Total Fundraising	<u>91,121</u>

Total Foundation Expenses	<u><u>\$ 4,929,128</u></u>
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