

**ZONTA INTERNATIONAL AND
AFFILIATED FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
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YEAR ENDED MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)**

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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, 2018, 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, 2018, and the changes in their net assets and their cash flows for the year 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying statement of financial position, statement of activities and statement of functional expenses for the year ended May 31, 2018 for Zonta International, and the statement of financial position, statement of activities, and statement of functional expenses for Zonta International Foundation 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 2018 consolidated financial statements. The 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

Oak Brook, Illinois
October 6, 2018

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 6,446,397	\$ 5,642,407
Receivables:		
Contributions Receivable	54,231	68,390
Pledges Receivable	344,919	280,051
Other	17,281	20,008
Prepaid Expenses:		
Convention	376,866	50,357
Other	76,142	94,810
Investments	16,601,734	14,069,049
Office Equipment and Computers, Net	126,609	199,330
Other Assets	19,365	26,886
	\$ 24,063,544	\$ 20,451,288
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 45,535	\$ 20,471
Accrued and Other Liabilities	73,497	61,664
Awards Payable	-	2,000,000
Deferred Revenue:		
Membership	1,811,679	1,376,343
Convention	1,264,103	-
Deferred Rent	19,533	32,388
Total Liabilities	3,214,347	3,490,866
NET ASSETS		
Unrestricted:		
Undesignated	12,477,127	11,563,937
Board-Designated - Convention Fund	431,039	431,039
Total Unrestricted	12,908,166	11,994,976
Temporarily Restricted	4,469,591	2,517,868
Permanently Restricted	3,471,440	2,447,578
Total Net Assets	20,849,197	16,960,422
	\$ 24,063,544	\$ 20,451,288

See accompanying Notes to Consolidated Financial Statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
REVENUE AND SUPPORT					
Membership Dues and Fees	\$ 2,347,032	\$ -	\$ -	\$ 2,347,032	\$ 2,365,353
Z-Club Dues and Fees	2,699	-	-	2,699	3,706
U.S. and Canadian Liability Premiums	22,780	-	-	22,780	23,139
Convention Events and Programs	-	-	-	-	935,940
Merchandise Royalties	6,703	-	-	6,703	13,862
Zontian Subscription	8	-	-	8	283
Program Contributions	815,803	2,135,769	-	2,951,572	2,088,388
Endowment Contributions	-	-	1,033,862	1,033,862	406,157
Returned Grant Funds	-	3,686	-	3,686	29,805
Loss from Write Off of Uncollectible Pledge	-	-	(10,000)	(10,000)	(161,300)
Other Income	-	-	-	-	228,963
Net Assets Released from Restrictions	452,840	(452,840)	-	-	-
Total Revenue and Support	<u>3,647,865</u>	<u>1,686,615</u>	<u>1,023,862</u>	<u>6,358,342</u>	<u>5,934,296</u>
EXPENSES					
Program Services:					
Member Services	1,598,686	-	-	1,598,686	1,617,013
Convention	-	-	-	-	875,250
Education Programs	537,650	-	-	537,650	541,671
International Service Fund	-	-	-	-	2,000,000
Zisvaw	-	-	-	-	2,000,000
Total Program Services	<u>2,136,336</u>	<u>-</u>	<u>-</u>	<u>2,136,336</u>	<u>7,033,934</u>
Supporting Services:					
Management and General	565,684	-	-	565,684	519,405
Fundraising	289,975	-	-	289,975	255,209
Total Supporting Services	<u>855,659</u>	<u>-</u>	<u>-</u>	<u>855,659</u>	<u>774,614</u>
Total Expenses	<u>2,991,995</u>	<u>-</u>	<u>-</u>	<u>2,991,995</u>	<u>7,808,548</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING GAINS	655,870	1,686,615	1,023,862	3,366,347	(1,874,252)
NONOPERATING GAINS (LOSSES)					
Interest Income, Net	245,469	273,243	-	518,712	331,318
Depreciation and Amortization	(75,681)	-	-	(75,681)	(60,964)
Realized and Unrealized Gains (Losses), Net	12,499	(8,135)	-	4,364	664,554
Foreign Currency Translation	75,033	-	-	75,033	18,674
Total Nonoperating Gains	<u>257,320</u>	<u>265,108</u>	<u>-</u>	<u>522,428</u>	<u>953,582</u>
CHANGE IN NET ASSETS	913,190	1,951,723	1,023,862	3,888,775	(920,670)
Net Assets - Beginning of Year	11,994,976	2,517,868	2,447,578	16,960,422	17,881,092
NET ASSETS - END OF YEAR	<u>\$ 12,908,166</u>	<u>\$ 4,469,591</u>	<u>\$ 3,471,440</u>	<u>\$ 20,849,197</u>	<u>\$ 16,960,422</u>

See accompanying Notes to Consolidated Financial Statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,888,775	\$ (920,670)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	75,681	60,964
Net Realized and Unrealized Gains on Investments	(4,364)	(664,554)
Dividend Reinvestments	(140,670)	(45,918)
Contributions Restricted for Long-Term Investment	(1,033,862)	(406,157)
Loss from Write Off of Uncollectible Pledge	10,000	161,300
Effects of Changes in Operating Assets and Liabilities:		
Contributions Receivable	14,159	(19,506)
Pledges Receivable	(74,868)	(8,918)
Receivables - Other	2,727	(2,364)
Inventory	-	1,232
Prepaid Expenses and Other Assets	(300,320)	373,784
Accounts Payable	25,064	(106,266)
Accrued and Other Liabilities	11,833	(12,598)
Grants Payable	(2,000,000)	2,000,000
Deferred Membership Revenue	435,336	(562,402)
Deferred Convention Revenue	1,264,103	(568,200)
Deferred Rent	(12,855)	(7,930)
Net Cash Provided (Used) by Operating Activities	2,160,739	(728,203)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Office and Computer Equipment	(2,960)	(112,725)
Purchase of Investments	(5,992,849)	(7,196,288)
Proceeds from Sale of Investments	3,605,198	6,748,684
Net Cash Used by Investing Activities	(2,390,611)	(560,329)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Investment in Endowment	1,033,862	406,157
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	803,990	(882,375)
Cash and Cash Equivalents - Beginning of Year	5,642,407	6,524,782
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,446,397	\$ 5,642,407

See accompanying Notes to Consolidated Financial Statements.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Zonta International (Zonta) is a global, nonprofit organization of professionals working to empower women through service and advocacy. Zonta clubs and Zonta members work to expand access to education, healthcare, economic opportunities, and safe living conditions for women.

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.

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.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statement Presentation (Continued)

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).

Contributions and Pledges Receivable

Contributions and pledges receivable are reported at fair value at the date the promise is made. The carrying amount of contributions and pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful account is based on management's assessment of the collectability of specific balances and the aging of the related balance. If actual collections are lower than historical experience, management's estimates of the recoverability of recorded amounts due to the Organization could be adversely affected. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for doubtful accounts.

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 2 and 5 for additional investment disclosures).

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 6).

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Awards Payable

Awards 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 awards 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.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as an increase in temporarily restricted net assets when made and are then released from restrictions when the funds are spent as stipulated by the donor. Net assets released from restrictions are reclassified from temporarily restricted net assets to unrestricted net assets. If the contribution is expected to be received more than one year in the future, the revenue and related receivable are discounted to its net present value using risk-free interest rates applicable to the years in which the promises are received.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements 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, 2018 and 2017.

Expense Allocation

The costs of providing various programs or other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2017, from which the summarized consolidated financial information was derived.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

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, 2018 and 2017 are as follows:

	Fair Value	Level 1	Level 2	Level 3
<u>May 31, 2018</u>				
Certificates of Deposit	\$ 3,599,258	\$ -	\$ 3,599,258	\$ -
Mutual Funds - Fixed Income	6,701,589	6,701,589	-	-
Mutual Funds - Equities	4,152,500	4,152,500	-	-
Mutual Funds - Index Fund	1,801,065	1,801,065	-	-
Government Securities	98,775	-	98,775	-
Corporate Bonds	248,547	-	248,547	-
Total	<u>\$ 16,601,734</u>	<u>\$ 12,655,154</u>	<u>\$ 3,599,258</u>	<u>\$ -</u>
<u>May 31, 2017</u>				
Certificates of Deposit	\$ 3,225,376	\$ -	\$ 3,225,376	\$ -
Equities	10,170	10,170	-	-
Mutual Funds - Fixed Income	5,566,064	5,566,064	-	-
Mutual Funds - Equities	3,673,266	3,673,266	-	-
Mutual Funds - Index Fund	1,594,173	1,594,173	-	-
Total	<u>\$ 14,069,049</u>	<u>\$ 10,843,673</u>	<u>\$ 3,225,376</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.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 3 CASH AND CASH EQUIVALENTS

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

	2018		
	Zonta	Foundation	Total
Cash	\$ 2,371,553	\$ 2,544,695	\$ 4,916,248
Money Market Fund	1,081,396	448,753	1,530,149
Total	<u>\$ 3,452,949</u>	<u>\$ 2,993,448</u>	<u>\$ 6,446,397</u>
	2017		
	Zonta	Foundation	Total
Cash	\$ 1,873,873	\$ 1,544,126	\$ 3,417,999
Money Market Fund	962,845	1,261,563	2,224,408
Total	<u>\$ 2,836,718</u>	<u>\$ 2,805,689</u>	<u>\$ 5,642,407</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 \$590,324 and \$798,565 at Bank of America in a Euro account in London, England, at May 31, 2018 and 2017 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 PLEDGES RECEIVABLE

The following is a summary of the Organization's pledges receivable balance at May 31:

	2018	2017
Total Amounts Due in:		
One Year	\$ 209,410	\$ 167,842
Two to Five Years	143,522	127,297
Total	<u>352,932</u>	<u>295,139</u>
Less:		
Provision for Uncollectible Pledges	(1,300)	(11,300)
Discount	(6,713)	(3,788)
Total	<u>\$ 344,919</u>	<u>\$ 280,051</u>

Management has calculated the discount on long-term pledges receivable using discount rates ranging from 2.23% – 2.54% for the years ended May 31, 2018 and 2017.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 5 INVESTMENTS

Investments held by the Organization consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>May 31, 2018</u>			
Certificate of Deposit	\$ 3,605,000	\$ 3,599,258	\$ (5,742)
Mutual Funds - Fixed Income	7,106,351	6,701,589	(404,762)
Mutual Funds - Equities	4,522,293	4,152,500	(369,793)
Mutual Funds - Index Fund	1,111,925	1,801,065	689,140
Government Securities	99,915	98,775	(1,140)
Corporate Bonds	254,504	248,547	(5,957)
Total	<u>\$ 16,699,988</u>	<u>\$ 16,601,734</u>	<u>\$ (98,254)</u>
<u>May 31, 2017</u>			
Certificate of Deposit	\$ 3,230,931	\$ 3,225,376	\$ (5,555)
Equities	10,093	10,170	77
Mutual Funds - Fixed Income	5,649,443	5,566,064	(83,379)
Mutual Funds - Equities	3,988,062	3,673,266	(314,796)
Mutual Funds - Index Fund	1,011,881	1,594,173	582,292
Total	<u>\$ 13,890,410</u>	<u>\$ 14,069,049</u>	<u>\$ 178,639</u>

Investment income at May 31 consists of the following:

	<u>2018</u>	<u>2017</u>
Realized and Unrealized Gains, Net	\$ 4,364	\$ 664,554
Investment Income	583,847	386,301
Investment Management Fees	(65,135)	(54,983)
Total	<u>\$ 523,076</u>	<u>\$ 995,872</u>

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

NOTE 6 OFFICE EQUIPMENT AND COMPUTERS

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

	<u>2018</u>	<u>2017</u>
Office Equipment	\$ 77,253	\$ 77,253
Computers	654,491	651,531
Total, at Cost	731,744	728,784
Less: Accumulated Depreciation	605,135	529,454
Office Equipment and Computers, Net	<u>\$ 126,609</u>	<u>\$ 199,330</u>

Depreciation expense on office equipment and computers for the years ended May 31, 2018 and 2017 totaled \$75,681 and \$60,964, respectively.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 7 AWARDS PAYABLE

Multi-year awards, contributions, and scholarships are made at the direction of the board and are reflected as expenses when committed and approved. The liability for awards payable at May 31, 2017 represented the unexpended portion of unconditional grants and promises. No discount on grants payable was recorded as the amount approximated zero. All amounts were paid during the year ended May 31, 2018.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of May 31, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Eva Mowbray	\$ 82,886	\$ 82,886
International Service Program	991,553	-
ZISVAW Program	1,350,862	536,311
YWPA Program	611,991	560,211
Jane M. Klausman Women in Business Scholarship Program	473,800	459,789
Endowment Funds	958,499	878,671
Total	<u>\$ 4,469,591</u>	<u>\$ 2,517,868</u>

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:

	<u>2018</u>	<u>2017</u>
Eva Mowbray	\$ -	\$ 262
Amelia Earhart Fellowship Program	265,215	226,928
International Service Program	300	1,582,889
ZISVAW Program	-	2,000,000
YWPA Program	72,225	71,150
Jane M. Klausman Women in Business Scholarship Program	115,100	115,025
Total	<u>\$ 452,840</u>	<u>\$ 3,996,254</u>

NOTE 10 ENDOWMENTS

The Organization's endowments consist of donor-restricted endowment funds established to support its mission and a variety of scholarships and grants. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 10 ENDOWMENTS (CONTINUED)

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.

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 balance of the fund to be less than \$1,000,000. No distribution shall be made from the Amelia Earhart Fellowship Endowment Fund that will cause the balance of the fund to be less than \$500,000.

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.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 10 ENDOWMENTS (CONTINUED)

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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2018 and 2017.

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

		2018			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted:					
	Endowment Fund	\$ -	\$ 738,335	\$ 3,080,551	\$ 3,818,886
	Amelia Earhart Fellowship Endowment Fund	-	220,164	390,889	611,053
	Total	\$ -	\$ 958,499	\$ 3,471,440	\$ 4,429,939
		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted:					
	Endowment Fund	\$ -	\$ 669,406	\$ 2,105,531	\$ 2,774,937
	Amelia Earhart Fellowship Endowment Fund	-	209,265	342,047	551,312
	Total	\$ -	\$ 878,671	\$ 2,447,578	\$ 3,326,249

During the year ended May 31, 2015, the Organization launched the Centennial Anniversary Endowment Campaign (the Campaign), whose purpose is to increase the Endowment and Amelia Earhart Fellowship Endowment Funds. Since the inception of the Campaign, the Organization has received contributions for these endowment funds totaling \$2,350,556 as of May 31, 2018.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

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, 2016	\$ (2,488)	\$ 775,033	\$ 2,202,721	\$ 2,975,266
Investment Return:				
Investment Income, Net	2,488	28,113	-	30,601
Net Depreciation	-	75,525	-	75,525
Total	-	103,638	-	106,126
Contributions	-	-	406,157	406,157
Loss on Write Off of Uncollectible Pledges Receivable	-	-	(161,300)	(161,300)
Balance - May 31, 2017	-	878,671	2,447,578	3,326,249
Investment Return:				
Investment Income, Net	-	103,667	-	103,667
Net Depreciation	-	(23,839)	-	(23,839)
Total	-	79,828	-	79,828
Contributions	-	-	1,033,862	1,033,862
Loss on Write Off of Uncollectible Pledges Receivable	-	-	(10,000)	(10,000)
Balance - May 31, 2018	<u>\$ -</u>	<u>\$ 958,499</u>	<u>\$ 3,471,440</u>	<u>\$ 4,429,939</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, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

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>
2019	\$ 230,063
2020	19,172
Total	<u>\$ 249,235</u>

Rent expense for the years ended May 31, 2018 and 2017 was \$255,090 and \$250,703, 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 \$33,344 and \$30,658 for the years ended May 31, 2018 and 2017, respectively.

NOTE 13 CONCENTRATIONS

The Organization relies on dues as its primary source of revenue, excluding convention activities. For the years ended May 31, 2018 and 2017, dues revenue, which included membership dues and charter and new member fees, represented approximately 95% and 64%, respectively, of the total operational revenues, excluding Foundation activities.

NOTE 14 CASH FLOW DISCLOSURES

There was no cash paid for interest or taxes for the years ended May 31, 2018 and 2017. There were no noncash investing and financing transactions for the years ended May 31, 2018 and 2017.

NOTE 15 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 6, 2018, the date the consolidated financial statements were available to be issued. Events or transactions occurring after May 31, 2018, but prior to October 6, 2018, that provided additional evidence about conditions that existed at May 31, 2018, have been recognized in the consolidated financial statements for the year ended May 31, 2018. Events or transactions that provided evidence about conditions that did not exist at May 31, 2018, 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, 2018.

ZONTA INTERNATIONAL AND AFFILIATED FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2018
(WITH COMPARATIVE TOTALS FOR MAY 31, 2017)

NOTE 16 RECENT ACCOUNTING PRONOUNCEMENTS

Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued amended guidance to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of the update impact the classification and presentation of net asset balances, enhance disclosures regarding the liquidity of an entity's assets and the nature and functional classification of expenses. The amendments should be applied on a retrospective basis in the year that the pronouncement is first applied. The standard will be effective for the Organization for the year ending May 31, 2019.

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one or two methods. The standard will be effective for the Organization for the year ending May 31, 2020. Early adoption is permitted.

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending May 31, 2021. Early adoption is permitted.

Management is evaluating the impact of these standards on the Organization's consolidated financial statements.

ZONTA INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
MAY 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS

Cash and Cash Equivalents	\$	3,452,949
Other Receivables		17,281
Prepaid Expenses:		
Convention		376,866
Other		58,548
Investments		3,946,580
Office Equipment and Computers, Net		126,609
Other Assets		<u>19,365</u>
Total Assets	\$	<u><u>7,998,198</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$	15,501
Accrued and Other Liabilities		73,497
Due to Zonta International Foundation		93,892
Deferred Membership Revenue		1,811,679
Deferred Convention Revenue		1,264,103
Deferred Rent		<u>19,533</u>
Total Liabilities		<u>3,278,205</u>

NET ASSETS

Unrestricted:		
Undesignated		4,206,068
Board-Designated - Convention Fund		<u>431,039</u>
Total Unrestricted		4,637,107
Temporarily Restricted		<u>82,886</u>
Total Net Assets		<u><u>4,719,993</u></u>
Total Liabilities and Net Assets	\$	<u><u>7,998,198</u></u>

**ZONTA INTERNATIONAL
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

	Unrestricted		Temporarily Restricted		Total
	Undesignated	Convention Fund	Total Unrestricted	Eva Mowbray	
REVENUE AND SUPPORT					
Membership Dues and Fees	\$ 2,347,032	\$ -	\$ 2,347,032	\$ -	\$ 2,347,032
Z-Club Dues and Fees	2,699	-	2,699	-	2,699
U.S. and Canadian Liability Premiums	22,780	-	22,780	-	22,780
Merchandise Royalties	6,703	-	6,703	-	6,703
Zontian Subscription	8	-	8	-	8
Management Fee	96,000	-	96,000	-	96,000
Total Revenue and Support	2,475,222	-	2,475,222	-	2,475,222
EXPENSES					
Program Services:					
Member Services	1,598,686	-	1,598,686	-	1,598,686
Supporting Services:					
Management and General	867,716	-	867,716	-	867,716
Total Expenses	2,466,402	-	2,466,402	-	2,466,402
CHANGE IN NET ASSETS BEFORE NONOPERATING GAINS (LOSSES)	8,820	-	8,820	-	8,820
NONOPERATING GAINS (LOSSES)					
Interest Income	60,830	-	60,830	-	60,830
Depreciation and Amortization	(75,681)	-	(75,681)	-	(75,681)
Realized and Unrealized Losses, Net	(10,796)	-	(10,796)	-	(10,796)
Foreign Currency Translation	75,033	-	75,033	-	75,033
Total Nonoperating Gains	49,386	-	49,386	-	49,386
CHANGE IN NET ASSETS	58,206	-	58,206	-	58,206
Net Assets - Beginning of Year	4,147,862	431,039	4,578,901	82,886	4,661,787
NET ASSETS - END OF YEAR	\$ 4,206,068	\$ 431,039	\$ 4,637,107	\$ 82,886	\$ 4,719,993

ZONTA INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
	Member Services	Management and General	Expenses
Salaries and Wages	\$ 658,050	\$ 134,781	\$ 792,831
Employee Benefits	129,249	26,473	155,722
Payroll Taxes	67,147	13,753	80,900
Fees for Services:			
Legal	-	8,267	8,267
Accounting	50,808	39,552	90,360
Other	36,105	-	36,105
Office Expenses	73,739	55,491	129,230
Information Technology	28,241	68,363	96,604
Occupancy	218,566	123,713	342,279
Travel	2,299	-	2,299
Payments on Behalf of Affiliate	-	374,356	374,356
Depreciation and Amortization	48,327	27,354	75,681
Insurance	23,738	13,352	37,090
Board/International Committees	214,665	-	214,665
Zontian Magazine	52,930	-	52,930
Miscellaneous Expenses	20,314	9,615	29,929
U.S./Canada Club Liability	22,835	-	22,835
Total Expenses	<u>1,647,013</u>	<u>895,070</u>	<u>2,542,083</u>
Less Expenses Included in Nonoperating Gains (Losses) on the Statement of Activities:			
Depreciation and Amortization	<u>(48,327)</u>	<u>(27,354)</u>	<u>(75,681)</u>
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 1,598,686</u>	<u>\$ 867,716</u>	<u>\$ 2,466,402</u>

**ZONTA INTERNATIONAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
MAY 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS

Cash and Cash Equivalents	\$ 2,993,448
Receivables:	
Contributions Receivable	54,231
Pledges Receivable, Net	344,919
Prepaid Expenses:	
Other	17,594
Due from Zonta International	93,892
Investments	<u>12,655,154</u>
Total Assets	<u><u>\$ 16,159,238</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 30,034
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NET ASSETS

Unrestricted	8,271,059
Temporarily Restricted	4,386,705
Permanently Restricted	<u>3,471,440</u>
Total Net Assets	<u><u>16,129,204</u></u>

Total Liabilities and Net Assets	<u><u>\$ 16,159,238</u></u>
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ZONTA INTERNATIONAL FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Program Contributions	\$ 1,190,159	\$ 2,135,769	\$ -	\$ 3,325,928
Endowment Contributions	-	-	1,033,862	1,033,862
Returned Grant Funds	-	3,686	-	3,686
Loss from Write off of Uncollectible Pledges	-	-	(10,000)	(10,000)
Net Assets Released from Restriction	452,840	(452,840)	-	-
Total Revenue and Support	<u>1,642,999</u>	<u>1,686,615</u>	<u>1,023,862</u>	<u>4,353,476</u>
EXPENSES				
Program Services:				
Education Programs	537,650	-	-	537,650
Supporting Services:				
Management and General	168,324	-	-	168,324
Fundraising	289,975	-	-	289,975
Total Supporting Services	<u>458,299</u>	<u>-</u>	<u>-</u>	<u>458,299</u>
Total Expenses	<u>995,949</u>	<u>-</u>	<u>-</u>	<u>995,949</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING GAINS	647,050	1,686,615	1,023,862	3,357,527
NONOPERATING GAINS				
Interest Income	184,639	273,243	-	457,882
Realized and Unrealized Gains (Losses), Net	23,295	(8,135)	-	15,160
Total Nonoperating Gains	<u>207,934</u>	<u>265,108</u>	<u>-</u>	<u>473,042</u>
CHANGE IN NET ASSETS	854,984	1,951,723	1,023,862	3,830,569
Net Assets - Beginning of Year	<u>7,416,075</u>	<u>2,434,982</u>	<u>2,447,578</u>	<u>12,298,635</u>
NET ASSETS - END OF YEAR	<u>\$ 8,271,059</u>	<u>\$ 4,386,705</u>	<u>\$ 3,471,440</u>	<u>\$ 16,129,204</u>

ZONTA INTERNATIONAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services	Supporting Services			Total Functional Expenses
	Education Programs	Management and General	Fundraising	Total Supporting Services	
Bank Fees	\$ -	\$ 57,508	\$ -	\$ 57,508	\$ 57,508
Communications	-	-	12,680	12,680	12,680
Donor Recognition	-	-	26,592	26,592	26,592
Endowment Campaign	-	-	74,399	74,399	74,399
Grants	537,650	-	-	-	537,650
Database	-	-	21,719	21,719	21,719
Licensing Fees	-	11,473	-	11,473	11,473
Management Fees	-	96,000	-	96,000	96,000
Other Direct Operating	-	2,702	21,601	24,303	24,303
Salaries	-	641	132,984	133,625	133,625
Investment Fees	-	65,135	-	65,135	65,135
Total Expenses	<u>537,650</u>	<u>233,459</u>	<u>289,975</u>	<u>523,434</u>	<u>1,061,084</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Investment Fees	-	(65,135)	-	(65,135)	(65,135)
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 537,650</u>	<u>\$ 168,324</u>	<u>\$ 289,975</u>	<u>\$ 458,299</u>	<u>\$ 995,949</u>



Investment advisory services are offered through CliftonLarsonAllen
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