

Como Friends

Financial Statements and Independent Auditor's Report

December 31, 2010 and 2009

December 31, 2010 and 2009

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Independent Auditor's Report

To the Board of Directors of
Como Friends
Saint Paul, Minnesota 55103

We have audited the accompanying statements of financial position of Como Friends as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Como Friends, as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Wilkerson, Guthmann + Johnson, P.C.

Saint Paul, Minnesota
March 7, 2011

Como Friends

Statements of Financial Position

<i>As of December 31,</i>	2010	2009
ASSETS		
Current		
Cash and Cash Equivalents	\$ 752,062	\$ 2,326,919
Investments	1,089,346	614,992
Contributions Receivable	665,440	618,450
Inventory	177,469	163,948
Prepaid Expenses and Other	29,672	26,988
Total Current Assets	<u>2,713,989</u>	<u>3,751,297</u>
Other		
Contributions Receivable, Net of Current Portion	3,302,668	3,231,737
Furniture, Fixtures and Equipment, Net	13,239	7,699
Beneficial Interests in Assets Held by Others	5,117,693	4,719,452
Total Other Assets	<u>8,433,600</u>	<u>7,958,888</u>
Total Assets	\$ 11,147,589	\$ 11,710,185
LIABILITIES AND NET ASSETS		
Current		
Accounts Payable	\$ 26,261	\$ 50,849
Grants Payable		1,295,431
Accrued Expenses and Other Liabilities	67,988	52,606
Total Current Liabilities	<u>94,249</u>	<u>1,398,886</u>
Net Assets		
Unrestricted		
Board Designated	816,810	1,301,735
Undesignated	500,291	430,604
Total Unrestricted	<u>1,317,101</u>	<u>1,732,339</u>
Temporarily Restricted	5,159,244	4,236,074
Permanently Restricted	4,576,995	4,342,886
Total Net Assets	<u>11,053,340</u>	<u>10,311,299</u>
Total Liabilities and Net Assets	\$ 11,147,589	\$ 11,710,185

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

Como Friends

Statements of Activities and Changes in Net Assets

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue from Current Operations								
Contributions	\$ 244,915	\$ 182,527	\$	\$ 427,442	\$ 280,982	\$ 128,540	\$	\$ 409,522
In-Kind Contributions	270,070			270,070	319,485			319,485
Contributions from Memberships	194,395			194,395	169,553			169,553
Special Event Revenue	325,282			325,282	296,561			296,561
Gift Shop Sales	1,183,639			1,183,639	1,051,450			1,051,450
Other Income	56,543			56,543	109,627			109,627
Net Assets Released from Restrictions	127,658	(361,767)	234,109		133,663	(361,617)	227,954	
Total Revenue from Current Operations	2,402,502	(179,240)	234,109	2,457,371	2,361,321	(233,077)	227,954	2,356,198
Expenses from Current Operations								
Programs:								
Zoo and Conservatory Grants and Programs	681,737			681,737	695,290			695,290
Gift Shops	857,958			857,958	833,766			833,766
	1,539,695			1,539,695	1,529,056			1,529,056
Support Services:								
Management and General	346,254			346,254	305,826			305,826
Fund Development	373,450			373,450	328,390			328,390
	719,704			719,704	634,216			634,216
In-Kind Expenses	270,070			270,070	319,485			319,485
Total Expenses from Current Operations	2,529,469			2,529,469	2,482,757			2,482,757
Change in Net Assets from Current Operations	(126,967)	(179,240)	234,109	(72,098)	(121,436)	(233,077)	227,954	(126,559)
Capital Project and Support								
Contribution Revenue		1,667,968		1,667,968		489,427		489,427
Net Assets Released from Restrictions	709,261	(709,261)			2,417,029	(2,417,029)		
Campaign Fund Development Expense	(342,157)			(342,157)	(116,507)			(116,507)
Capital Project and Support Grants Paid	(1,075,000)			(1,075,000)	(2,300,522)			(2,300,522)
Change in Net Assets from Capital Campaign	(707,896)	958,707		250,811		(1,927,602)		(1,927,602)
Beneficial Interest in Assets Held by Others								
Increase in Beneficial Interest in Assets Held by Others	12,161	551,167		563,328	89,209	522,567		611,776
Net Assets Released from Restrictions	407,464	(407,464)			195,268	(195,268)		
Total Change in Beneficial Interest	419,625	143,703		563,328	284,477	327,299		611,776
Increase (Decrease) in Net Assets	(415,238)	923,170	234,109	742,041	163,041	(1,833,380)	227,954	(1,442,385)
Net Assets, Beginning of Year	1,732,339	4,236,074	4,342,886	10,311,299	1,569,298	6,069,454	4,114,932	11,753,684
Net Assets, End of Year	\$ 1,317,101	\$ 5,159,244	\$ 4,576,995	\$ 11,053,340	\$ 1,732,339	\$ 4,236,074	\$ 4,342,886	\$ 10,311,299

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

Como Friends

Statements of Cash Flows

<i>Years Ended December 31,</i>	2010	2009
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 742,041	\$ (1,442,385)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Change in Cash from Operating Activities:		
Depreciation	6,825	5,886
Increase in Value of Beneficial Interest in Assets Held by Others	(563,328)	(611,776)
Changes in Operating Assets and Liabilities:		
Contributions Receivable	(117,921)	463,219
Inventory	(13,521)	4,378
Prepaid Expenses and Other	(2,684)	7,393
Accounts Payable	(24,588)	27,695
Grants Payable	(1,295,431)	1,295,431
Accrued Expenses and Other Liabilities	15,382	(9,849)
Total Adjustments	<u>(1,995,266)</u>	<u>1,182,377</u>
Cash Used in Operating Activities	<u>(1,253,225)</u>	<u>(260,008)</u>
Cash Flows from Investing Activities		
Purchase of Certificates of Deposit	(3,439,346)	(3,294,992)
Maturity of Certificates of Deposit	2,964,992	5,609,592
Purchase of Property and Equipment	<u>(12,365)</u>	<u>(953)</u>
Cash Provided by (Used In) Investing Activities	<u>(486,719)</u>	<u>2,313,647</u>
Cash Flows from Financing Activities		
Contributions to Beneficial Interests in Assets Held by Others	(248,626)	(241,706)
Distributions from Beneficial Interest in Assets Held by Others	<u>413,713</u>	<u>201,018</u>
Cash Used in Financing Activities	<u>165,087</u>	<u>(40,688)</u>
Net Change in Cash and Cash Equivalents	<u>(1,574,857)</u>	<u>2,012,951</u>
Cash and Cash Equivalents, Beginning of Year	2,326,919	313,968
Cash and Cash Equivalents, End of Year	\$ 752,062	\$ 2,326,919
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Income Taxes	\$ 1,774	\$ 2,594

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

Como Friends

Statement of Functional Expenses

	2010										2009
	Program Services					Supporting Services					Totals
	Zoo and Conservatory Programs	Gift Shops	Total Program Services	Management & General	Special Events and Other	Capital Campaign	Supporting Services	Total	Totals		
Salaries	\$ 15,950	\$ 242,799	\$ 258,749	\$ 180,998	\$ 130,951	\$ 99,817	\$ 411,766	\$ 670,515	\$ 618,229		
Payroll Taxes and Benefits	6,809	50,617	57,426	52,048	37,503	27,037	116,588	174,014	170,122		
Total Personnel Costs	22,759	293,416	316,175	233,046	168,454	126,854	528,354	844,529	788,351		
Cost of Goods Sold		515,937	515,937	4,793	1,102		5,895	521,832	478,012		
Printing, Design and Postage	17,141	2,623	19,764	21,250	32,884	24,082	78,216	97,980	59,361		
Event and Program Costs		1,046	1,046	3,868	64,140	20,196	88,204	89,250	56,185		
Other Expenses		24,554	24,554	13,048	59,689	4,427	77,164	101,718	48,790		
Professional Fees and Consultants		10,450	10,450	10,450		65,008	75,458	85,908	80,948		
Rent and Utilities				7,978	27,959		35,937	35,937	38,370		
Supplies		3,313	3,313	9,736	5,414	7,942	23,092	26,405	14,968		
Repair, Maintenance and Computer		5,285	5,285	11,118			11,118	16,403	16,947		
Outside Services and Contract Labor				9,947	11,286		21,233	21,233	11,686		
Insurance				10,731			10,731	10,731	10,775		
Staff Development	2,750		2,750	4,564			4,564	7,314	4,803		
Public Relations and Advertising		159	159	75	2,522		96,245	96,404	7,832		
Depreciation		1,175	1,175	5,650			5,650	6,825	5,886		
Zoo and Conservatory Programs and Improvements	639,087		639,087					639,087	656,865		
Capital Project and Support Grants Paid	1,075,000		1,075,000					1,075,000	2,300,522		
Total Expenses Before In-Kind	1,756,737	887,958	2,644,695	346,254	373,450	342,157	1,061,861	3,676,556	4,580,301		
In-Kind Expenses		30,000	30,000	15,000	225,070		240,070	270,070	319,485		
Total Expenses	\$ 1,756,737	\$ 887,958	\$ 2,644,695	\$ 361,254	\$ 598,520	\$ 342,157	\$ 1,301,931	\$ 3,946,626	\$ 4,899,786		
Used for:											
Current Operations	\$ 681,737	\$ 887,958	\$ 1,569,695	\$ 361,254	\$ 598,520	\$	\$ 959,774	\$ 2,529,469	\$ 2,482,757		
Capital Project	1,075,000		1,075,000			342,157	342,157	1,417,157	2,417,029		
Total Expenses	\$ 1,756,737	\$ 887,958	\$ 2,644,695	\$ 361,254	\$ 598,520	\$ 342,157	\$ 1,301,931	\$ 3,946,626	\$ 4,899,786		

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

Como Friends

Statement of Functional Expenses

For the Year Ended December 31, 2009

	Program Services			Supporting Services			Total	
	Zoo and Conservatory Programs	Gift Shops	Total Program Services	Management & General	Fund Development			Supporting Services
					Special Events and Other	Capital Campaign		
Salaries	\$ 16,263	\$ 252,315	\$ 268,578	\$ 161,090	\$ 140,452	\$ 48,109	\$ 349,651	
Payroll Taxes and Benefits	6,715	57,522	64,237	49,661	43,120	13,104	105,885	
Total Personnel Costs	22,978	309,837	332,815	210,751	183,572	61,213	455,536	
Cost of Goods Sold		473,574	473,574	3,248	1,190		4,438	
Printing, Design and Postage	12,947	2,556	15,503	10,129	32,209	1,520	43,858	
Event and Program Costs	110	587	697	4,187	48,288	3,013	55,488	
Other Expenses		21,184	21,184	4,447	20,458	2,701	27,606	
Professional Fees and Consultants		10,888	10,888	27,998	30,497	42,062	70,060	
Rent and Utilities				7,873			38,370	
Supplies		6,149	6,149	5,994	2,636	189	8,819	
Repair, Maintenance and Computer		7,120	7,120	9,677	150		9,827	
Outside Services and Contract Labor				3,057	8,070	559	11,686	
Insurance				10,775			10,775	
Staff Development	2,378		2,378	2,425			2,425	
Public Relations and Advertising	12	912	924	338	1,320	5,250	6,908	
Depreciation		959	959	4,927			4,927	
Zoo and Conservatory Programs and Improvements	656,865		656,865				656,865	
Capital Project and Support Grants Paid	2,300,522		2,300,522				2,300,522	
Total Expenses Before In-Kind	2,995,812	833,766	3,829,578	305,826	328,390	116,507	4,580,301	
In-Kind Expenses		30,000	30,000	15,000	274,485		289,485	
Total Expenses	\$ 2,995,812	\$ 863,766	\$ 3,859,578	\$ 320,826	\$ 602,875	\$ 116,507	\$ 4,899,786	
Used for:								
Current Operations	\$ 695,290	\$ 863,766	\$ 1,559,056	\$ 320,826	\$ 602,875	\$	\$ 923,701	
Capital Project	2,300,522		2,300,522			116,507	116,507	
Total Expenses	\$ 2,995,812	\$ 863,766	\$ 3,859,578	\$ 320,826	\$ 602,875	\$ 116,507	\$ 4,899,786	

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

December 31, 2010 and 2009

1. Organization

Como Friends (“the Organization”) is a Minnesota non-profit corporation. The Organization operates for charitable purposes providing resources to promote, support, preserve and enhance Como Park Zoo and Conservatory in Saint Paul, Minnesota. The Organization’s support comes primarily from contributions, gift shop sales and fundraising events. As Como Park Zoo and Conservatory are owned and operated by the City of St. Paul, the Organization works collaboratively with the City under a Memorandum of Understanding

2. Summary of Significant Accounting Policies

Classes of Net Assets

The Organization’s financial statements are presented using the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted - This class of net assets includes those resources over which the Board of Directors has discretionary control. Designated amounts within this class represent net assets that the Board has set aside for a particular purpose.

Temporarily Restricted - This class of net assets includes those resources whose use by the Organization is limited by donor restrictions related to time period or specified purpose.

Permanently Restricted - This class of net assets includes those resources which have been restricted by the donor for endowment purposes, whereby the principal is invested and maintained in perpetuity, while related investment income is used to support the operations of the Organization or specified purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include money market funds and other investments purchased with a maturity of three months or less.

Investments

Investments consist of short-term certificates of deposit. These are reported at cost which approximates fair value.

December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Unconditional promises to give to the Organization that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows using a discount rate which approximates the 10-year U.S. Treasury Note. In years subsequent to the initial present value calculations, amortization of the discounts is recorded as contribution revenue. No allowance for uncollectible amounts is provided since all amounts are deemed collectible.

Inventory

Inventory consists of items held for sale in the Organization's gift shop and is valued at average cost, using the first-in, first-out ("FIFO") method.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment is reported at cost if purchased or at the estimated fair value if acquired by donation. Depreciation is computed using the straight-line method over estimated useful lives of three to five years. The Organization capitalizes expenditures for property and equipment with a cost or value in excess of \$500.

Beneficial Interests in Assets Held by Others

The Organization established three separate charitable funds as endowment funds, which are held by The Saint Paul Foundation ("the Foundation") under terms of separate fund agreements (Note 7). The charitable funds were funded by certain contributions to the Organization. The estimated fair values of the funds have been recognized by the Organization as Beneficial Interests in Assets Held by Others. The amount of the principal originally contributed to a fund is classified as permanently restricted, temporarily restricted, or unrestricted board designated net assets, depending on donor restrictions.

Annual adjustments to the fair values of the amounts reported as assets are recognized as increases or decreases in the Beneficial Interests in Assets Held by Others and are reflected in unrestricted or temporarily restricted net assets based on donor restrictions. Annual distributions from these funds are reported as decreases in beneficial interests in assets held by others.

December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and nature of any donor restrictions.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Contribution revenue and investment income that is donor-restricted as to purpose or timing of use is recognized as unrestricted revenue if the specified restriction is met in the same period as the revenue is reported.

In-Kind Contributions

Contributed services, materials and facilities are recorded as in-kind contributions at their estimated fair values. Contributed services are recorded only if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Income Taxes

Como Friends is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is a publicly-supported organization and contributions to it qualify as a charitable tax deduction for the contributors. The Organization generates unrelated business income from a portion of its gift shop sales. Income taxes resulting from unrelated business income approximated \$2,200 in 2010 and \$2,000 in 2009.

The Organization's federal tax filings for 2007 – 2009 are open for Internal Revenue Service examination. The related state tax filings are open for examination by the taxing authority of the State of Minnesota.

Functional Expenses

Expenses are classified on a direct allocation basis, except for certain expenses allocated among the program services and supporting services categories based upon the estimated time expended by staff in those categories.

Notes to Financial Statements

December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the combined 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Subsequent Events

Management has evaluated the effects of subsequent events through March 7, 2011, the date that the financial statements were available to be released.

3. Contributions Receivable

Contributions receivable consist of unconditional promises to give that have been restricted or designated for the following purposes:

	2010	2009
Marjorie McNeely Conservatory Support	\$ 2,600,000	\$ 2,800,000
Capital Campaigns for Polar Bear Odyssey and the Japanese Gardens Experience	1,436,264	1,060,700
Other Programs		25,000
Less: Unamortized Discount	(68,156)	(35,513)
Totals	<u>\$ 3,968,108</u>	<u>\$ 3,850,187</u>

At December 31, 2010, promises to give were scheduled to be received as follows:

	Amount	Unamortized Discount	Net
In Less than One Year	\$ 665,440	\$	\$ 665,440
In One to Five Years	1,970,824	(68,156)	1,902,668
More than Five Years	1,400,000		1,400,000
Totals	<u>\$ 4,036,264</u>	<u>\$ (68,156)</u>	<u>\$ 3,968,108</u>

No discount is computed on a multi-year promise to give \$200,000 per year for conservatory support as the donor has agreed to increase each year's gift by an amount equal to the gift multiplied by the Consumer Price Index.

Notes to Financial Statements

December 31, 2010 and 2009

4. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment is stated at cost and consisted of the following at December 31:

	2010	2009
Equipment	\$ 32,433	\$ 22,522
Furniture and Fixtures	1,890	1,890
Totals	34,323	24,412
Accumulated Depreciation	(21,084)	(16,713)
Net	<u>\$ 13,239</u>	<u>\$ 7,699</u>

5. Fair Value of Financial Instruments

Certain financial instruments are required to be measured annually at fair value. Accounting standards provide for a three-tier fair value hierarchy determined by the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets
- Level 2: Observable inputs such as quoted prices in active markets for similar assets or other significant observable inputs
- Level 3: Significant unobservable inputs

The fair values of beneficial interests in assets held by others have been measured in accordance with Level 3 inputs and are based upon the estimates provided by The Saint Paul Foundation, in the absence of readily determinable values. Such values may differ significantly from the values that would have been used had a ready market existed for these interests, and the differences could be material. The fair values of beneficial interests in assets held by The Saint Paul Foundation for the benefit of the Organization consisted of the following as of December 31:

	2010	2009
The Marjorie McNeely Conservatory at Como Park Endowment Fund of the Como Friends	\$ 3,462,262	\$ 3,198,836
E.M. Pearson Foundation Fund of the Como Friends	1,542,736	1,413,833
Helen and Ruth Peterson Fund of the Como Friends	112,695	106,783
Total Beneficial Interests in Assets Held by Others	<u>\$ 5,117,693</u>	<u>\$ 4,719,452</u>

December 31, 2010 and 2009

5. Fair Value of Financial Instruments (Continued)

Changes in the fair values of the Organization's Level 3 assets consisted of the following for the years ended December 31:

	2010	2009
Balance, Beginning of Year	\$ 4,719,452	\$ 4,066,996
Investment Gains, Net of Appropriations	149,615	410,758
Contributions	248,626	241,698
Balance, End of Year	<u>\$ 5,117,693</u>	<u>\$ 4,719,452</u>

6. Distributions from Beneficial Interests in Assets Held by Others

The agreements governing the administration of the funds indicate that the Foundation's Board of Directors has the power to modify the beneficiary, the purpose, and the timing of the distributions if the distributions become unnecessary, the Organization becomes incapable of fulfilling the purpose of the distributions, or the distributions become inconsistent with the Foundation's investment policies or the charitable needs served by the Foundation.

As indicated in Note 2, the assets of the funds have been reflected as Beneficial Interests in Assets Held by Others on the Organization's Statements of Financial Position because the funds have been placed with the Foundation by the Organization. As the funds were created by contributions made to the Organization, the Board and management fully expect the Organization to continue to be the beneficiary of the funds in the future.

Distribution provisions as described in the Fund Agreements, are as follows:

McNeely Fund: Distributions are made annually and are restricted for the operating and program expenses related to the Marjorie McNeely Conservatory at Como Park. Distributions may be made from income and fund principal and are determined based on the distribution policy of the Foundation.

Pearson Fund: Distributions are limited to the net income and appreciation of assets of the Fund, and are unrestricted. Distribution amounts are determined based on the distribution policy of the Foundation. The Organization may request termination of the Fund Agreement and complete distribution of the fund assets at any time, subject to the approval of The Saint Paul Foundation and provided that the fund assets would subsequently be held for endowment purposes.

December 31, 2010 and 2009

6. Distributions from Beneficial Interests in Assets Held by Others (Continued)

Peterson Fund: Distributions may be made from income and fund principal and are determined based on the distribution policy of the Foundation. The Organization may request termination of the Fund Agreement and complete distribution of the fund assets at any time, subject to the approval of The Saint Paul Foundation.

The following distributions were received by the Organization from the charitable funds held by The Saint Paul Foundation for its benefit and reported as investment income:

	2010	2009
McNeely Fund	\$ 367,464	\$ 155,268
Pearson Fund	40,000	40,000
Peterson Fund	6,249	5,750
Totals	<u>\$ 413,713</u>	<u>\$ 201,018</u>

The Saint Paul Foundation allows the Organization to carryforward to future periods distribution amounts allowed under their spending policy that were not distributed in a given year.

7. Endowment Composition and Changes to Endowment Net Assets

The Organization's endowment consists of the three charitable funds with The Saint Paul Foundation established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law -- Endowment funds are regulated by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the State of Minnesota effective August 1, 2008. The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The original gift is valued at fair value on the date of the gift. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

December 31, 2010 and 2009

7. Endowment Composition and Changes to Endowment Net Assets (Continued)

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

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Return Objectives and Risk Parameters – The Organization is subject to the investment policy of the Foundation, as defined in the respective fund agreements for the charitable funds held by the Foundation for the Organization’s benefit. As defined by the Foundation, the underlying investment objectives of these policies are as follows:

1. Preserve the real purchasing power of the permanently restricted assets while delivering funds to meet the charitable needs within the community.
2. Strive for consistent absolute returns.
3. Earn the highest possible return given the established risk tolerance.

Endowment assets are invested in a manner that is intended to produce results that are comparable to a weighted average of several well-respected market indices while assuming a moderate level of investment risk. The Foundation has established an absolute return objective equal to the GDP Price Deflator plus 5.5% compounded annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on the Foundation’s total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

December 31, 2010 and 2009

7. Endowment Composition and Changes to Endowment Net Assets (Continued)

Spending Policy and the Relationship of the Investment Objectives to the Spending Policy – The Organization’s spending policy mirrors the distribution policy of The Saint Paul Foundation. The spending policies are described in Note 6. The Foundation’s policy appropriates for distribution each year an amount equal to 5.5% of its endowment fund’s average fair value over the prior 16 quarters, but not less than 4.5% of the fund’s current value nor more than 6.25% of the fund’s current value, less administrative fees. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowment to grow at a rate that is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Endowment net assets consisted of the following:

December 31, 2010	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted:				
Marjorie McNeely Conservatory at Como Park Endowment	\$	\$ 215,994	\$ 3,246,268	\$ 3,462,262
E.M. Pearson Foundation Endowment		212,009	1,330,727	1,542,736
Board Designated:				
Helen and Ruth Peterson Fund of the Como Friends	112,695			112,695
Totals	<u>\$ 112,695</u>	<u>\$ 428,003</u>	<u>\$ 4,576,995</u>	<u>\$ 5,117,693</u>
December 31, 2009	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted:				
Marjorie McNeely Conservatory at Como Park Endowment	\$	\$ 186,677	\$ 3,012,159	\$ 3,198,836
E.M. Pearson Foundation Endowment		83,106	1,330,727	1,413,833
Board Designated:				
Helen and Ruth Peterson Fund of the Como Friends	106,783			106,783
Totals	<u>\$ 106,783</u>	<u>\$ 269,783</u>	<u>\$ 4,342,886</u>	<u>\$ 4,719,452</u>

December 31, 2010 and 2009

7. Endowment Composition and Changes to Endowment Net Assets (Continued)

Changes in endowment net assets consisted of the following:

Year Ended December 31, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 106,783	\$ 269,783	\$ 4,342,886	\$ 4,719,452
Investment Return	12,161	551,167		563,328
Contributions		14,517	234,109	248,626
Appropriation of Endowment Assets for Expenditure	(6,249)	(407,464)		(413,713)
Endowment Net Assets, End of Year	<u>\$ 112,695</u>	<u>\$ 428,003</u>	<u>\$ 4,576,995</u>	<u>\$ 5,117,693</u>
Year Ended December 31, 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ (47,936)	\$	\$ 4,114,932	\$ 4,066,996
Investment Return	89,209	522,567		611,776
Contributions		13,744	227,954	241,698
Interfund Transfers	71,260	(71,260)		
Appropriation of Endowment Assets for Expenditure	(5,750)	(195,268)		(201,018)
Endowment Net Assets, End of Year	<u>\$ 106,783</u>	<u>\$ 269,783</u>	<u>\$ 4,342,886</u>	<u>\$ 4,719,452</u>

Notes to Financial Statements

December 31, 2010 and 2009

8. Board Designated Net Assets

At December 31, 2010 and 2009, the Board of Directors has designated unrestricted net assets for the following purposes:

	2010	2009
Endowment	\$ 131,499	\$ 131,499
Como Project Fund	285,269	770,194
Reserve	400,042	400,042
Totals	<u>\$ 816,810</u>	<u>\$ 1,301,735</u>

9. Temporarily Restricted Net Assets

The following schedule reflects net assets temporarily restricted by donors for specified purposes or future periods as of December 31:

	2010	2009
Restricted By Purpose:		
Capital Campaign for Polar Bear Odyssey and the Japanese Gardens Experience	\$ 2,055,964	\$ 1,097,256
Education	15,000	15,000
Como Staff Development	11,373	11,504
Marjorie McNeely Conservatory Support	2,815,994	2,986,677
Other	26,404	20,531
Restricted By Time:		
General Operating Support	234,509	105,106
Totals	<u>\$ 5,159,244</u>	<u>\$ 4,236,074</u>

10. In-Kind Contributions

Contributed services, materials and facilities were received at follows:

	2010	2009
Program:		
Gift Shop Facilities	\$ 30,000	\$ 30,000
Management and General:		
Office Facilities	15,000	15,000
Fund Development:		
Materials	137,119	174,750
Other Services	22,481	1,200
Promotion and Advertising Services	65,470	98,535
Totals	<u>\$ 270,070</u>	<u>\$ 319,485</u>

December 31, 2010 and 2009

10. In-Kind Contributions (Continued)

The Organization's office space, located on the Como Park Zoo and Conservatory Campus, is rented from the City for \$1 per year. This lease is effective through December 31, 2011. The office space had an estimated lease value of \$1,250 per month (\$15,000 for 2010 and 2009).

In addition, under the Memorandum of Understanding with the City of Saint Paul, the City provides space at no charge for the Organization to operate its gift shop. The gift shop space had an estimated lease value of \$30,000 per year for 2010 and 2009.

The Organization also benefits from thousands of hours of contributed services provided by volunteers, which do not meet the criteria for recognition in the financial statements. Contributed hours totaled 8,487 for 2010 and 8,432 in 2009.

11. Fundraising Commitments

In February 2006, the Organization committed to the City of Saint Paul its participation in raising funds from the private sector for the purpose of funding a major capital improvement project for Como Park Zoo and Conservatory. The estimated cost of the project is approximately \$18.8 million, of which \$10.35 million will be funded by the State of Minnesota and the City of Saint Paul. Funds raised will be used to support new polar bear and Japanese garden exhibits. Funds secured through December 31, 2010 total approximately \$6,100,000.

12. Retirement Plan

The Organization has a 403(b) retirement plan for employees meeting certain eligibility requirements. An eligible employee can elect to make salary reduction contributions to the plan, and the Organization matches employee contributions up to 5% of the employee's compensation. Organization contributions totaled \$22,224 and \$23,667 for the years ended December 31, 2010 and 2009, respectively.

December 31, 2010 and 2009

13. Allocation of Joint Costs

During the years ended December 31, 2010 and 2009, the Organization published a quarterly newsletter, *The Como Insider*, and incurred costs of \$19,822 and \$15,288, respectively. These costs were shared jointly by both program services and supporting services. Joint costs were allocated as follows:

	2010	2009
Zoo and Conservatory Programs	\$ 15,479	\$ 11,535
Gift Shops	831	526
Management & General	1,262	1,290
Special Events and Other	1,350	1,937
Capital Campaign	900	
Totals	<u>\$ 19,822</u>	<u>\$ 15,288</u>

14. Concentration

Contributions Receivable

At December 31, 2010, approximately 64% of the balance of contributions receivable is due from one donor.

Credit Risk

The Organization places its cash deposits with high-quality financial institutions and seeks to limit the amount of credit exposure to any one financial institution. At various times during the year, the Organization may exceed federally insured limits.

15. Reclassifications

Certain reclassifications have been made to the 2009 presentation to provide comparability to the 2010 presentation.