

**SAN FRANCISCO
ZOOLOGICAL SOCIETY**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2021 AND 2020**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
San Francisco Zoological Society
San Francisco, California**

We have audited the accompanying financial statements of the San Francisco Zoological Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 San Francisco Zoological Society as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

GILBERT CPAs
Sacramento, California

October 11, 2021

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,881,865	\$ 3,743,936
Contributions receivable, current	3,834,176	4,482,957
Bequests and other receivables	441,472	173,866
Prepaid expenses	<u>345,255</u>	<u>358,259</u>
Total current assets	11,502,768	8,759,018
CONTRIBUTIONS RECEIVABLE, Net	712,143	1,703,437
INVESTMENTS	7,981,950	6,760,858
PROPERTY AND EQUIPMENT, Net	<u>149,637</u>	<u>227,746</u>
TOTAL ASSETS	<u>\$ 20,346,498</u>	<u>\$ 17,451,059</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 912,607	\$ 1,024,504
Accrued expenses	1,434,546	1,362,800
Deferred revenue	1,870,223	868,496
Debt, current	<u>3,000,000</u>	<u> </u>
Total current liabilities	7,217,376	3,255,800
LONG-TERM DEBT, Net	<u> </u>	<u>3,758,000</u>
Total liabilities	<u>7,217,376</u>	<u>7,013,800</u>
NET ASSETS:		
Without donor restrictions	5,186,900	36,906
With donor restrictions	<u>7,942,222</u>	<u>10,400,353</u>
Total net assets	<u>13,129,122</u>	<u>10,437,259</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,346,498</u>	<u>\$ 17,451,059</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF ACTIVITIES (Page 1 of 2) YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Admissions	\$ 7,310,625	\$ 4,547,433
Retail operations	3,046,253	2,992,091
Membership	2,433,566	2,508,155
Education	335,670	667,314
Fundraising and ticketed events (net of direct benefit to donors of \$78,263 in 2021 and \$79,366 in 2020)	<u>537,895</u>	<u>707,253</u>
Total program revenues	13,664,009	11,422,246
Other support:		
Management fee	4,000,000	3,760,000
Contributions and bequests	3,506,815	3,760,582
Other income	26,221	34,383
Satisfaction of restrictions, operations	<u>343,260</u>	<u>303,458</u>
Total revenues and support	<u>21,540,305</u>	<u>19,280,669</u>
 OPERATING EXPENSES:		
Program services:		
Animal care and management	13,485,487	14,242,056
Membership and visitor services	2,509,775	2,681,421
Education	<u>1,135,102</u>	<u>1,175,096</u>
Total program services	<u>17,130,364</u>	<u>18,098,573</u>
Supporting services:		
General and administrative	2,132,754	2,411,448
Fundraising	<u>998,688</u>	<u>913,556</u>
Total supporting services	<u>3,131,442</u>	<u>3,325,004</u>
Total operating expenses	<u>20,261,806</u>	<u>21,423,577</u>
 INCOME (LOSS) FROM OPERATIONS	 1,278,499	 (2,142,908)

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED):		
INCOME (LOSS) FROM OPERATIONS	1,278,499	(2,142,908)
Paycheck Protection Program loan forgiveness	2,758,000	
Investment income	1,191,583	433,726
Depreciation expense	(78,088)	(115,174)
Capital expenditures to be gifted to the City and County of San Francisco	(3,397,349)	(2,369,009)
Satisfaction of restrictions, capital	<u>3,397,349</u>	<u>2,369,009</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>5,149,994</u>	<u>(1,824,356)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	1,252,968	1,463,694
Investment income	29,510	44,883
Satisfaction of restrictions, operations	(343,260)	(303,458)
Satisfaction of restrictions, capital	<u>(3,397,349)</u>	<u>(2,369,009)</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(2,458,131)</u>	<u>(1,163,890)</u>
INCREASE (DECREASE) IN NET ASSETS	2,691,863	(2,988,246)
NET ASSETS, Beginning of Year	<u>10,437,259</u>	<u>13,425,505</u>
NET ASSETS, End of Year	<u>\$ 13,129,122</u>	<u>\$ 10,437,259</u>

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021

	Program services			Supporting services		Total
	<u>Animal care and management</u>	<u>Membership and visitor services</u>	<u>Education</u>	<u>General and administrative</u>	<u>Fundraising</u>	
Personnel costs	\$ 7,356,967	\$ 1,308,082	\$ 835,790	\$ 1,268,712	\$ 761,707	\$ 11,531,258
Occupancy	2,191,287	484,653	123,543	287,488	50,404	3,137,375
Repairs and maintenance	2,414,224	126,195	87,288	22,485		2,650,192
Professional and contracted services	137,828	473,030	20,890	349,493	96,756	1,077,997
Animal care and exhibits	737,415					737,415
Insurance	204,821	61,977	27,331	30,750	1,215	326,094
Postage, printing, and supplies	186,483	38,067	20,182	31,922	23,387	300,041
Advertising and public relations				83,300		83,300
Dues and subscriptions	54,238			19,453	1,825	75,516
Rentals	9,439	7,252	11,740	35,552	3,539	67,522
Catering			823	1,593	59,809	62,225
Travel, meals, and entertainment	3,857		1,930	1,787	46	7,620
Laundry and uniforms			5,064			5,064
Miscellaneous	188,928	10,519	521	219		200,187
Total expenses	<u>\$ 13,485,487</u>	<u>\$ 2,509,775</u>	<u>\$ 1,135,102</u>	<u>\$ 2,132,754</u>	<u>\$ 998,688</u>	<u>\$ 20,261,806</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020

	Program services			Supporting services		
	<u>Animal care and management</u>	<u>Membership and visitor services</u>	<u>Education</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 7,740,331	\$ 1,566,190	\$ 872,667	\$ 1,225,046	\$ 624,705	\$ 12,028,939
Occupancy	2,086,967	462,156	116,768	291,451	50,775	3,008,117
Repairs and maintenance	2,374,696	119,634	77,224	21,916		2,593,470
Professional and contracted services	144,061	414,958	25,492	406,241	77,945	1,068,697
Animal care and exhibits	1,011,985					1,011,985
Insurance	215,728	60,988	26,705	39,671	4,912	348,004
Postage, printing, and supplies	286,348	39,375	21,059	33,894	33,330	414,006
Advertising and public relations				305,433		305,433
Dues and subscriptions	56,119			13,496	286	69,901
Rentals	18,537	8,606	12,511	35,957	7,449	83,060
Catering	3,392		3,328	15,804	91,869	114,393
Travel, meals, and entertainment	34,826	1,838	3,019	8,367	22,285	70,335
Laundry and uniforms	483	2,318	12,333			15,134
Miscellaneous	268,583	5,358	3,990	14,172		292,103
Total expenses	<u>\$ 14,242,056</u>	<u>\$ 2,681,421</u>	<u>\$ 1,175,096</u>	<u>\$ 2,411,448</u>	<u>\$ 913,556</u>	<u>\$ 21,423,577</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 2,691,863	\$ (2,988,246)
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	78,088	115,174
Net realized and unrealized gain on investments	(1,095,326)	(303,194)
Forgiveness of Paycheck Protection Program loan	(2,758,000)	
Loss on disposal of property and equipment	21	
Changes in:		
Contributions receivable	1,640,075	1,114,801
Bequests and other receivables	(267,606)	225,419
Prepaid expenses	13,004	49,119
Accounts payable	(111,897)	296,839
Accrued expenses	71,746	174,860
Deferred revenue	1,001,727	(678,598)
Net cash provided (used) by operating activities	<u>1,263,695</u>	<u>(1,993,826)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,858,109)	(557,006)
Proceeds from sale of investments	1,732,343	1,516,940
Purchases of property and equipment	<u> </u>	<u>(17,773)</u>
Net cash provided (used) by investing activities	<u>(125,766)</u>	<u>942,161</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	<u>2,000,000</u>	<u>3,758,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,137,929	2,706,335
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,743,936</u>	<u>1,037,601</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 6,881,865</u>	<u>\$ 3,743,936</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. ORGANIZATION AND OPERATIONS

The San Francisco Zoological Society (the Society) is a nonprofit public benefit corporation organized in 1954 for charitable, scientific, and educational purposes for the study and promotion of zoology and wildlife conservation and for the education and recreation of the public.

The Society currently provides a wide range of services for the City and County of San Francisco (the City) at the San Francisco Zoo and Gardens (the Zoo). The Society and the City have negotiated a management agreement, which incorporates animal care, management of all facilities, operations, community support, and public services.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Society reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of management.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue recognition – Contributions, grants, and bequests are recognized in full when received or unconditionally promised, in conformity with professional standards applicable to not-for-profit entities. All contributions and grants are considered available for unrestricted use unless specifically restricted by donors and grantors for future periods or specific purposes. Donor and grantor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when time restrictions expire or when the contributions and grants are used for restricted purposes.

The Society's revenue from contracts with customers consists of admissions revenue, management fees, membership revenue, retail revenue, and education and special events revenue. Admissions revenue and management fees are recognized when earned. Retail revenue is recognized at time of purchase. Education and special events revenue are recognized when the related events occur. Membership revenue is recognized over the term of the membership, typically one year. Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

The balances of receivables and liabilities from contracts with customers are as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable, net	\$ 239,729	\$ 122,230	\$ 249,106
Contract liabilities:			
Deferred revenue	\$ 1,870,223	\$ 868,496	\$ 1,547,094

Donated materials, equipment, and professional services are recorded as in-kind donations and recognized at the estimated fair value as of the date of donation or service. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

Cash and cash equivalents – For financial statement purposes, the Society considers all investments with an initial maturity of three months or less at time of purchase to be cash equivalents unless held for long-term purposes.

The Society minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Society's deposits held with financial institutions in excess of federal deposit insurance limits were \$6,721,379 and \$3,576,559 as of June 30, 2021 and 2020, respectively. The Society has not experienced any losses in such accounts and management believes the Society is not exposed to any significant credit risk related to cash.

Investments are stated at fair value and are held for long-term purposes.

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. The Society capitalizes all expenditures for property and equipment in excess of \$1,500. Depreciation is computed using the straight-line method over the estimated useful lives of individual assets ranging from 3 to 39 years.

Pursuant to the management agreement with the City (Note 12), property and equipment of the Society consists of furniture, furnishings and articles of movable personal property installed in the Zoo, by or for the account of the Society, without expense to the City, and which can be removed without structural or other material damage to the Zoo. The City retains title to all real property and all appurtenances, fixtures, improvements, equipment, additions and other property attached to or installed in the Zoo. Capital expenditures by the Society for property and equipment for which the Society does not retain title are expensed when incurred and are donated to the City as a gift.

Functional expenses – The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated based on estimates of employees' time incurred. Property insurance expenses are allocated based on square footage. Animal care and exhibit costs are allocated based on direct usage of resources. All other expenses are allocated based on management's estimate of the usage of resources.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Income taxes – The Society is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3) and corresponding California state codes.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending June 30, 2023. The Society is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been evaluated through October 11, 2021, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2021 requiring recognition or disclosure in such financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Society's financial assets available within one year of the statement of financial position date for general expenditure are as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,881,865	\$ 3,743,936
Contributions receivable, net	4,546,319	6,186,394
Bequests and other receivables	441,472	173,866
Investments	<u>7,981,950</u>	<u>6,760,858</u>
Total financial assets	19,851,606	16,865,054
Less:		
Amounts unavailable for general expenditure within one year, due to:		
Restriction by donors for time or purpose	<u>(7,942,222)</u>	<u>(10,400,353)</u>
Total financial assets available for general expenditure within one year	<u>\$ 11,909,384</u>	<u>\$ 6,464,701</u>

The Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society invests cash in excess of monthly requirements in a short-term money market account. Donor-restricted permanent endowments contain investments with lock-up provisions that would reduce the total investments that could be made available. However, these investments constitute only a small portion of total investments.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

4. CONTRIBUTIONS RECEIVABLE

The Society recognizes contributions at their estimated fair value, on a nonrecurring basis, at the time the promise is made. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of long-term contributions receivable was 3.4% at June 30, 2020. There was no discount rate at June 30, 2021.

The Society had one major donor that accounted for 71% and 76% of total contributions receivable in 2021 and 2020, respectively.

In 2019, the Society recorded a gift of a one-third beneficial interest in a note receivable held by the Frederick Stroh Memorial Foundation. The total value of the note was \$2,475,000 of which \$825,000 was recorded by the Society as the assigned gift. The note bears interest at 3.5% per annum and is payable over 10 years.

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Gross contributions receivable	\$ 3,810,000	\$ 5,459,611
Beneficial interest in note receivable	736,319	759,665
Less:		
Discount on contributions receivable		(32,882)
Contributions receivable, net	<u>\$ 4,546,319</u>	<u>\$ 6,186,394</u>

Contributions receivable are due to be collected as follows:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 3,834,176	\$ 4,482,957
In one to five years	712,143	1,069,105
More than five years		634,332
Contributions receivable, net	<u>\$ 4,546,319</u>	<u>\$ 6,186,394</u>

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

5. INVESTMENTS

Investments consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,145,544	\$ 601,072
Mutual funds holding common stock:		
Foreign large growth	1,102,435	1,064,222
Information technology	1,054,515	1,223,338
Foreign large blend	825,187	887,733
Health care	448,583	500,100
Industrials	401,630	355,774
Consumer discretionary	378,354	315,172
Financials	282,974	115,553
Communication services	125,898	120,699
Consumer staples	101,465	62,180
Materials	106,704	58,035
Real estate	72,912	
Utilities	41,139	36,893
Energy	40,573	26,240
Total mutual funds holding common stock	<u>4,982,369</u>	<u>4,765,939</u>
Mutual funds holding bonds – Intermediate term bond	836,267	1,065,415
Alternatives – hedge funds	<u>17,770</u>	<u>328,432</u>
Total investments	<u>\$ 7,981,950</u>	<u>\$ 6,760,858</u>

6. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets which are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

When a price for an identical asset or liability is not observable, a reporting entity will measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

The Society's investments are classified as follows:

Year ended June 30, 2021:	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
Investments	<u>\$ 7,964,180</u>	<u>\$ 17,770</u>	<u>\$ 7,981,950</u>
Year ended June 30, 2020:	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
Investments	<u>\$ 6,432,426</u>	<u>\$ 328,432</u>	<u>\$ 6,760,858</u>

The Society's investments classified within Level 1 include cash and cash equivalents, common stock, and mutual funds and are valued using quoted market prices, broker or dealer quotations, or alternative sources with reasonable levels of price transparency.

The Society held \$17,770 and \$328,432 of alternative investments as of June 30, 2021 and 2020, respectively, that included hedge funds invested in commingled funds. These investments are reported at the net asset value reported by the fund managers, which is used as a practical expedient to estimate the fair value. Hedge funds invested in commingled funds may be redeemed quarterly with 45 days prior notice and contain terms requiring one-year soft lock-up with a 1% early redemption fee.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following, as of June 30:

	<u>2021</u>	<u>2020</u>
Machinery and equipment	\$ 1,120,278	\$ 1,193,270
Furniture and fixtures	277,158	284,216
Software	3,520	127,606
Other	<u>231,268</u>	<u>219,036</u>
Total	1,632,224	1,824,128
Less accumulated depreciation	<u>(1,482,587)</u>	<u>(1,596,382)</u>
Total	<u>\$ 149,637</u>	<u>\$ 227,746</u>

Management estimates that approximately 50% and 51% of depreciation expense relates to program services and 50% and 49% of depreciation expense relates to supporting services for the years ended June 30, 2021 and 2020, respectively.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

8. DEBT

On February 3, 2020, the Society entered into a loan agreement with First Republic Bank. The face value of the loan was \$1,000,000 with interest only payments of 3% per annum payable monthly in arrears. The entire unpaid principal balance and all accrued and unpaid interest is due and payable on February 3, 2022.

On April 15, 2020, the Society entered into a Small Business Administration loan agreement with CRF Small Business Loan Company, LLC as part of the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The face value of the loan was \$2,758,000. The loan was fully forgiven on June 14, 2021 and recognized as income. On February 5, 2021, the Society entered into a second Small Business Administration loan agreement with CRF Small Business Loan Company, LLC. The face value of the loan was \$2,000,000. The loan was fully forgiven on July 7, 2021.

9. NET ASSETS

Net assets with donor restrictions were available for the following purposes for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Time and purpose restricted:		
Capital program	\$ 3,286,253	\$ 5,622,621
Conservation	368,213	316,845
Other projects	43,076	109,507
Total time and purpose restricted	<u>3,697,542</u>	<u>6,048,973</u>
Restricted into perpetuity:		
General operations	2,516,282	2,516,282
Conservation	1,000,000	1,000,000
Education	485,398	490,398
Other projects	243,000	344,700
Total restricted into perpetuity	<u>4,244,680</u>	<u>4,351,380</u>
Total net assets with donor restrictions	<u>\$ 7,942,222</u>	<u>\$ 10,400,353</u>

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets held in perpetuity, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund not held in perpetuity is classified as net assets with donor restrictions

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until those amounts are appropriated for expenditure of the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Society 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 Society
- 7) The investment policies of the Society

During 2021, permanently restricted contributions of \$106,700 maintained in an endowment fund were released from restriction by the original donors. No contributions to the endowment occurred in 2021 and 2020, and there were no funds released from restrictions in 2020.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. These deficits result from unfavorable market fluctuations and authorized appropriation that was deemed prudent. No such donor endowment deficits occurred in the years ended June 30, 2021 and 2020.

The Society has adopted endowment investment policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index based on the endowment's target allocation applied to the appropriate individual benchmarks.

To achieve its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Society targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

At June 30, 2020, the Zoo had previously reported a board designated endowment of \$18,970. This amount is more appropriately reported as undesignated net assets without donor restrictions and has been reflected in this manner.

10. PENSION PLAN

The Society has a defined contribution plan covering all full-time employees not covered by a collective bargaining agreement. The plan calls for annual contributions of 5% of covered salaries and is funded by the purchase of insurance annuity contracts. Total plan costs were \$253,443 and \$266,310 for the years ended June 30, 2021 and 2020, respectively.

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11. DONATED MATERIALS AND SERVICES

The Society received donated materials and services used for the following activities for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Legal services	\$ 188,470	\$ 108,270
Marketing		72,000
Auction items and catering services	35,083	31,570
Other professional services	<u>42,409</u>	<u>43,844</u>
Total donated materials and services	<u>\$ 265,962</u>	<u>\$ 255,684</u>

12. CITY AND COUNTY OF SAN FRANCISCO

San Francisco Zoological Society management agreement – The Society negotiated a management agreement (the Agreement) with the City, acting through its Recreation and Park Commission, which was effective on July 1, 1993.

The Agreement originally expired on June 30, 1998, and provides for additional automatic extensions for successive periods of five years, not to exceed ninety-nine years. The Agreement was last extended on July 1, 2018. The next automatic extension of the Agreement is in 2023. Generally, under the Agreement, the Society receives an annual management fee from the City plus all admission fees and, in turn, the Society is responsible for all operating expenses incurred in the operation of the Zoo.

The management fee of \$4,120,000 had been in effect since 2003. It was reduced by the Recreation and Park Commission to \$4,000,000 for the year ended June 30, 2020. Further, the Recreation and Park Commission required a payback of \$240,000 for the years ended June 30, 2018 and June 30, 2019. The \$240,000 is included in accrued expenses at June 30, 2021 and 2020.

Under the Agreement, utilities expenses were incurred with the City by the Society for the years ended June 30, 2021 and 2020, totaling \$1,155,175 and \$1,174,281, respectively.

13. FOOD, BEVERAGE AND CONCESSIONS AGREEMENT

The Society has a concessions agreement with Service Systems Associates, Inc. (SSA) to provide for the operation of food, beverage, gift shop, and rental concessions at the Zoo. SSA has agreed to pay the Society certain percentages of gross receipts based on the various types of concession sales. Commissions paid by SSA to the Society totaled \$1,157,639 and \$948,091 for the years ended June 30, 2021 and 2020, respectively.

14. RISKS AND UNCERTAINTIES

The Zoo was closed to the public effective March 16, 2020 as part of a government-mandated shelter in place order in response to the coronavirus. After the creation of a phased re-opening plan instituting safety protocols and online timed ticketing, the Zoo was permitted to re-open to limited

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capacity on July 15, 2020. The Zoo was closed to the public again effective December 7, 2020 and was permitted to re-open to limited capacity on January 28, 2021. The Zoo's outdoor space was opened to full capacity in May 2021. The closures had a major impact on the Society's revenues, entirely eliminating the admissions, retail, parking, and rides revenue streams during the shutdowns. Additionally, in-person events and education programs were curtailed in lieu of virtual programs. Memberships were impacted with renewals being delayed. The Society was able to secure two loans under the CARES Act to cover payroll costs. The first loan for \$2,758,000 was secured in April 2020. The second loan for \$2,000,000 was secured in May 2021. (See note 8).

15. SHUTTERED VENUE OPERATOR'S GRANT

The Society received a notice of award for a Shuttered Venue Operator's grant on June 29, 2021 in the amount of \$4,568,165. Grant revenue will be recognized as qualifying expenses are incurred through December 31, 2021. No revenue under this grant was recognized for the year ended June 30, 2021.