

**SAN FRANCISCO
ZOOLOGICAL SOCIETY**

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

**YEARS ENDED
JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the San Francisco Zoological Society (the Society), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our 2023 audit in accordance with auditing standards generally accepted in the United States of America. We conducted our 2022 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



GILBERT CPAs
Sacramento, California

October 5, 2023

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,795,889	\$ 4,427,343
Contributions receivable, current	1,313,000	1,878,036
Bequests and other receivables	3,160,870	2,721,077
Prepaid expenses	<u>200,235</u>	<u>517,436</u>
Total current assets	7,469,994	9,543,892
CONTRIBUTIONS RECEIVABLE, Long term	687,107	687,107
INVESTMENTS	15,218,799	13,317,888
PROPERTY AND EQUIPMENT, Net	<u>436,652</u>	<u>204,116</u>
TOTAL ASSETS	<u>\$ 23,812,552</u>	<u>\$ 23,753,003</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 736,212	\$ 802,699
Accrued expenses	1,564,903	1,537,165
Deferred revenue	<u>1,659,383</u>	<u>1,664,767</u>
Total current liabilities	<u>3,960,498</u>	<u>4,004,631</u>
NET ASSETS:		
Without donor restrictions	13,818,960	13,121,435
With donor restrictions	<u>6,033,094</u>	<u>6,626,937</u>
Total net assets	<u>19,852,054</u>	<u>19,748,372</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,812,552</u>	<u>\$ 23,753,003</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Admissions	\$ 7,334,222	\$ 9,699,086
Retail operations	3,747,135	4,671,442
Membership	2,419,420	3,067,209
Education	642,423	475,048
Fundraising and ticketed events (net of direct benefit to donors of \$444,975 in 2023 and \$440,593 in 2022)	<u>551,178</u>	<u>105,909</u>
Total program revenues	14,694,378	18,018,694
Other support:		
Management fee	4,000,000	4,000,000
Contributions and bequests	2,451,684	2,934,299
Rental fee	300,000	300,000
In-kind contributions	266,015	105,462
Other income	84,938	26,502
Satisfaction of restrictions, operations	<u>782,145</u>	<u>448,240</u>
Total revenues and support	<u>22,579,160</u>	<u>25,833,197</u>
 OPERATING EXPENSES:		
Program services:		
Animal care and management	15,633,540	16,282,802
Membership and visitor services	3,054,750	2,780,456
Education	<u>971,183</u>	<u>941,266</u>
Total program services	<u>19,659,473</u>	<u>20,004,524</u>
Supporting services:		
General and administrative	2,791,537	3,021,509
Fundraising	<u>862,527</u>	<u>974,403</u>
Total supporting services	<u>3,654,064</u>	<u>3,995,912</u>
Total operating expenses	<u>23,313,537</u>	<u>24,000,436</u>
INCOME (LOSS) FROM OPERATIONS	(734,377)	1,832,761

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED):		
INCOME (LOSS) FROM OPERATIONS	(734,377)	1,832,761
Paycheck Protection Program loan forgiveness		2,000,000
Shuttered Venue Operators grant		4,568,165
Employee Retention Tax Credit		2,377,075
Investment income (loss)	1,820,871	(2,732,455)
Depreciation expense	(91,789)	(73,665)
Capital expenditures to be gifted to the City and County of San Francisco	(1,408,435)	(2,262,317)
Satisfaction of restrictions, capital	<u>1,111,255</u>	<u>2,224,972</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>697,525</u>	<u>7,934,536</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	1,219,516	1,289,532
Investment income	80,041	68,394
Satisfaction of restrictions, operations	(782,145)	(448,240)
Satisfaction of restrictions, capital	<u>(1,111,255)</u>	<u>(2,224,972)</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(593,843)</u>	<u>(1,315,286)</u>
INCREASE IN NET ASSETS	103,682	6,619,250
NET ASSETS, Beginning of Year	<u>19,748,372</u>	<u>13,129,122</u>
NET ASSETS, End of Year	<u>\$ 19,852,054</u>	<u>\$ 19,748,372</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2023

	<u>Program services</u>			<u>Supporting services</u>		<u>Total</u>
	<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	\$ 7,072,991	\$ 1,616,790	\$ 643,063	\$ 1,530,581	\$ 254,401	\$ 11,117,826
Repairs and maintenance	4,063,987	126,477	94,567	24,186		4,309,217
Occupancy	2,501,003	541,197	139,345	368,363	55,478	3,605,386
Professional and contracted services	182,123	604,223	16,956	500,572	248,020	1,551,894
Animal care and exhibits	1,227,219					1,227,219
Insurance	249,078	69,480	33,711	61,211	4,229	417,709
Postage, printing, and supplies	228,666	84,390	35,596	37,291	16,856	402,799
Catering			1,014	11,021	263,398	275,433
Advertising and public relations				141,022		141,022
Rentals	48,364	8,050	5,931	18,172	18,191	98,708
Dues and subscriptions	29,749			64,517	755	95,021
Travel, meals, and entertainment	<u>30,360</u>	<u>4,143</u>	<u>1,000</u>	<u>34,601</u>	<u>1,199</u>	<u>71,303</u>
Total expenses	<u>\$ 15,633,540</u>	<u>\$ 3,054,750</u>	<u>\$ 971,183</u>	<u>\$ 2,791,537</u>	<u>\$ 862,527</u>	<u>\$ 23,313,537</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	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	\$ 6,951,235	\$ 1,453,968	\$ 642,733	\$ 1,523,097	\$ 359,343	\$ 10,930,376
Repairs and maintenance	5,164,920	141,615	91,936	24,298		5,422,769
Occupancy	2,341,067	461,003	143,725	327,174	55,941	3,328,910
Professional and contracted services	76,359	604,572	7,598	832,045	151,655	1,672,229
Animal care and exhibits	1,250,142					1,250,142
Insurance	217,691	66,989	28,798	17,602	8,138	339,218
Postage, printing, and supplies	213,086	44,796	15,734	34,228	26,937	334,781
Catering			2,752	7,276	365,309	375,337
Advertising and public relations				175,822		175,822
Rentals	21,091	6,928	7,507	24,860	5,818	66,204
Dues and subscriptions	31,453			43,133	861	75,447
Travel, meals, and entertainment	<u>15,758</u>	<u>585</u>	<u>483</u>	<u>11,974</u>	<u>401</u>	<u>29,201</u>
Total expenses	<u>\$ 16,282,802</u>	<u>\$ 2,780,456</u>	<u>\$ 941,266</u>	<u>\$ 3,021,509</u>	<u>\$ 974,403</u>	<u>\$ 24,000,436</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 103,682	\$ 6,619,250
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	91,789	73,665
Net realized and unrealized (gain) loss on investments	(1,239,595)	3,102,948
Donated property and equipment	(20,000)	
Donated investments		(17,770)
Forgiveness of Paycheck Protection Program loan		(2,000,000)
Changes in:		
Contributions receivable	565,036	1,981,176
Bequests and other receivables	(439,793)	(2,279,605)
Prepaid expenses	317,201	(172,181)
Accounts payable	(66,487)	(109,908)
Accrued expenses	27,738	102,619
Deferred revenue	(5,384)	(205,456)
Net cash provided (used) by operating activities	<u>(665,813)</u>	<u>7,094,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(15,233,845)	(11,028,159)
Proceeds from sale of investments	14,572,529	2,607,043
Purchases of property and equipment	(304,325)	(128,144)
Net cash used by investing activities	<u>(965,641)</u>	<u>(8,549,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	<u> </u>	<u>(1,000,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,631,454)	(2,454,522)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>4,427,343</u>	<u>6,881,865</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,795,889</u>	<u>\$ 4,427,343</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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.

Restricted contributions that were initially classified as conditional due to a qualifying expense barrier are recognized as net assets without donor restrictions since the restriction is met simultaneously when the condition is released and the revenue is recognized.

The Society's revenue from contracts with customers consists of admissions revenue, management fees, rental revenue, membership revenue, retail revenue, and education and special events revenue. Admissions revenue, management fees, and rental revenue 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, 2023 AND 2022

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable, net	\$ 237,341	\$ 235,394	\$ 239,729
Deferred revenue	\$ 1,659,383	\$ 1,664,767	\$ 1,870,223

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 financial institution. The balance at times may exceed federally insured limits. The Society's deposits held with its financial institution in excess of federal deposit insurance limits were \$2,967,164 and \$4,849,443 as of June 30, 2023 and 2022, 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 10 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, 2023 AND 2022

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

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.

Subsequent events have been evaluated through October 5, 2023, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2023 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,795,889	\$ 4,427,343
Contributions receivable	2,000,107	2,565,143
Bequests and other receivables	3,160,870	2,721,077
Investments	<u>15,218,799</u>	<u>13,317,888</u>
Total financial assets	23,175,665	23,031,451
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restriction by donors for time or purpose	<u>(6,033,094)</u>	<u>(6,626,937)</u>
Total financial assets available for general expenditure within one year	<u>\$ 17,142,571</u>	<u>\$ 16,404,514</u>

The Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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. Contributions and pledges receivable are reported net of the allowance for uncollectible accounts. However, management has determined that no allowance was necessary at June 30, 2023 and 2022 based on their conclusion that all pledges are collectible. Management has determined that the present value discount related to long-term pledges receivable is not material, therefore, a present value discount has not been recorded.

The Society had one major donor that accounted for 66% and 72% of total contributions receivable at June 30, 2023 and 2022, respectively.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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>2023</u>	<u>2022</u>
Contributions receivable	\$ 1,313,000	\$ 1,853,000
Beneficial interest in note receivable	687,107	712,143
Total contributions receivable	<u>\$ 2,000,107</u>	<u>\$ 2,565,143</u>

Contributions receivable are due to be collected as follows:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 1,313,000	\$ 1,878,036
In one to five years	687,107	687,107
Total contributions receivable	<u>\$ 2,000,107</u>	<u>\$ 2,565,143</u>

5. INVESTMENTS

Investments consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 457,927	\$ 179,029
Mutual funds holding common stock:		
Financials	2,068,641	681,456
Health care	1,789,668	749,206
Information technology	1,241,410	1,716,295
Communication services	1,057,244	173,724
Industrials	939,080	721,675
Energy	625,679	130,175
Consumer discretionary	351,290	627,648
Consumer staples	231,050	262,682
Materials	137,454	299,891
Utilities	49,826	215,087
Real estate	20,069	1,510,648
International		4,541,550
Total mutual funds holding common stock	<u>8,969,338</u>	<u>11,630,037</u>
Mutual funds holding bonds	<u>6,249,461</u>	<u>1,508,822</u>
Total investments	<u>\$ 15,218,799</u>	<u>\$ 13,317,888</u>

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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.

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.

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

7. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Machinery and equipment	\$ 1,725,875	\$ 1,489,549
Furniture and fixtures	265,741	245,741
Total	1,991,616	1,735,290
Less accumulated depreciation	<u>(1,554,964)</u>	<u>(1,531,174)</u>
Total	<u>\$ 436,652</u>	<u>\$ 204,116</u>

Management estimates that approximately 58% and 51% of depreciation expense relates to program services and 42% and 49% of depreciation expense relates to supporting services for the years ended June 30, 2023 and 2022, respectively.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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 principal balance and all accrued interest was fully paid on January 12, 2022.

On February 5, 2021, the Society entered into a second 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 \$2,000,000. The loan was fully forgiven on July 7, 2021 and recognized as income in the year ended June 30, 2022.

9. NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Time and purpose restricted:		
Capital program	\$ 1,442,526	\$ 2,050,282
Conservation	337,124	308,760
Other projects	8,764	23,215
Total time and purpose restricted	<u>1,788,414</u>	<u>2,382,257</u>
Restricted into perpetuity:		
General operations	2,516,282	2,516,282
Conservation	1,000,000	1,000,000
Education	485,398	485,398
Other projects	<u>243,000</u>	<u>243,000</u>
Total restricted into perpetuity	<u>4,244,680</u>	<u>4,244,680</u>
Total net assets with donor restrictions	<u>\$ 6,033,094</u>	<u>\$ 6,626,937</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 restricted into 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 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

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- 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

There were no contributions to the endowment nor endowment funds released from restriction in the years ended June 30, 2023 and 2022. There were no donor endowment deficits in the years ended June 30, 2023 and 2022.

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.

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 \$233,868 and \$241,579 for the years ended June 30, 2023 and 2022, respectively.

11. IN-KIND DONATIONS

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

	<u>2023</u>	<u>2022</u>
Legal services	\$ 86,293	\$ 64,458
Animal food	76,241	
Veterinary services	46,580	9,155
Auction items and catering services	36,901	31,849
Furniture	<u>20,000</u>	
Total donated materials and services	<u>\$ 266,015</u>	<u>\$ 105,462</u>

Legal services represent services from attorneys advising the Society on various administrative legal matters. Animal food includes a variety of produce donated by retailers. Veterinary services, consisting of donated time and waived services, were provided by multiple doctors. Auction items and catering services represent donated goods and services for the annual ZooFest fundraising event. All auction items during the years ended June 30, 2023 and 2022 were sold at fundraising events during the year received. All items were valued based upon estimates of fair market value or

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wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Two conference tables were also donated to the Society.

The Society's policy related to in-kind contributions is to utilize the assets given to carry out their mission. All in-kind contributions received by the Society for the years ended June 30, 2023 and 2022 were considered without donor restrictions and able to be used by the Society as determined by the Board and management. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

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 extended on July 1, 2023. The next automatic extension of the Agreement will be in 2028. 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 beginning with 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, 2023 and 2022.

Under the Agreement, utilities expenses were incurred with the City by the Society for the years ended June 30, 2023 and 2022, totaling \$1,299,526 and \$1,150,286, respectively.

Pursuant to the Agreement, the Society entered into a license with the San Francisco Public Utilities Commission (SFPUC) to lease the Society's overflow valet parking spaces for temporary construction staging and storage as part of the SFPUC's Westside Pump Station Reliability Improvements Project. The license provides monthly payments of \$25,000 to the Society commencing July 2022 and continuing for four years.

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 \$1,496,615 and \$1,804,112 for the years ended June 30, 2023 and 2022, respectively.

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14. SHUTTERED VENUE OPERATORS GRANT

The Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. SVOG provides support for the ongoing operations of eligible live venues and operators, live venue promoters, theatrical producers, talent representatives, live performing arts organization operators, museums and motion picture theaters during the uncertain economic conditions caused by the COVID-19 pandemic. On June 29, 2021, the Organization received a notice of award of \$4,568,165. Grant revenue was recognized through incurrence of qualifying operating expenses through December 31, 2021. All revenue under this grant was recognized during the year ended June 30, 2022.

15. EMPLOYEE RETENTION TAX CREDIT

The Society filed amended quarterly 941-X federal tax returns for the quarters ended June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021 to receive Employee Retention Tax Credits provided for under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. For the year ended June 30, 2022, the Society recognized revenue totaling \$2,377,075 related to the Employee Retention Tax Credits. Bequests and other receivables included \$2,060,503 and \$2,377,075 at June 30, 2023 and 2022, respectively, related to these credits which payment was received in full subsequent to June 30, 2023.

Laws and regulations concerning government programs, including the Employee Retention Tax Credit established by the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Society's claim to the Employee Retention Tax Credit, and it is not possible to determine the impact (if any) this would have upon the Society.