

**SAN FRANCISCO
ZOOLOGICAL SOCIETY**

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

**YEARS ENDED
JUNE 30, 2024 AND 2023**

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, 2024 and 2023, 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, 2024 and 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.



GILBERT CPAs
Sacramento, California

October 18, 2024

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,678,675	\$ 2,795,889
Accounts receivable	292,958	237,341
Contributions receivable, current	838,000	1,313,000
Bequests and other receivables	389,171	2,923,529
Prepaid expenses	160,838	200,235
Total current assets	<u>5,359,642</u>	<u>7,469,994</u>
CONTRIBUTIONS RECEIVABLE, Net		687,107
INVESTMENTS	18,598,687	15,218,799
PROPERTY AND EQUIPMENT, Net	<u>507,339</u>	<u>436,652</u>
TOTAL ASSETS	<u>\$ 24,465,668</u>	<u>\$ 23,812,552</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 654,438	\$ 736,212
Accrued expenses	1,911,096	1,564,903
Deferred revenue	1,840,401	1,659,383
Total current liabilities	<u>4,405,935</u>	<u>3,960,498</u>
NET ASSETS:		
Without donor restrictions	14,836,534	13,818,960
With donor restrictions	5,223,199	6,033,094
Total net assets	<u>20,059,733</u>	<u>19,852,054</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,465,668</u>	<u>\$ 23,812,552</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Admissions	\$ 7,419,550	\$ 7,334,222
Retail operations	3,824,950	3,747,135
Membership	2,304,097	2,419,420
Education	784,333	642,423
Fundraising and ticketed events (net of direct benefit to donors of \$511,893 in 2024 and \$444,975 in 2023)	<u>499,738</u>	<u>551,178</u>
Total program revenues	14,832,668	14,694,378
Other support:		
Contributions and bequests	4,818,380	2,451,685
Management fee	4,000,000	4,000,000
In-kind contributions	545,363	266,015
Rental fee	300,000	300,000
Other income	104,188	84,938
Satisfaction of restrictions, operations	<u>312,130</u>	<u>782,145</u>
Total revenues and support	<u>24,912,729</u>	<u>22,579,160</u>
OPERATING EXPENSES:		
Program services:		
Animal care and management	16,149,949	15,633,540
Membership and visitor services	3,666,226	3,054,750
Education	<u>1,060,936</u>	<u>971,183</u>
Total program services	<u>20,877,111</u>	<u>19,659,473</u>
Supporting services:		
General and administrative	3,400,764	2,791,537
Fundraising	<u>889,373</u>	<u>862,527</u>
Total supporting services	<u>4,290,137</u>	<u>3,654,064</u>
Total operating expenses	<u>25,167,248</u>	<u>23,313,537</u>
LOSS FROM OPERATIONS	(254,519)	(734,377)

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED):		
LOSS FROM OPERATIONS	(254,519)	(734,377)
Investment income	2,294,063	1,820,871
Depreciation expense	(101,539)	(91,789)
Provision for contributions deemed uncollectible	(712,147)	
Capital expenditures to be gifted to the City and County of San Francisco	(1,209,623)	(1,408,435)
Satisfaction of restrictions, capital	<u>1,001,339</u>	<u>1,111,255</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,017,574</u>	<u>697,525</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	417,749	1,219,516
Investment income	85,825	80,041
Satisfaction of restrictions, operations	(312,130)	(782,145)
Satisfaction of restrictions, capital	<u>(1,001,339)</u>	<u>(1,111,255)</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(809,895)</u>	<u>(593,843)</u>
INCREASE IN NET ASSETS	207,679	103,682
NET ASSETS, Beginning of Year	<u>19,852,054</u>	<u>19,748,372</u>
NET ASSETS, End of Year	<u>\$ 20,059,733</u>	<u>\$ 19,852,054</u>

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2024

	Program services			Supporting services		<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	\$ 7,549,512	\$ 2,156,500	\$ 696,751	\$ 1,401,166	\$ 613,897	\$ 12,417,826
Occupancy	2,818,388	586,414	163,114	392,512	71,466	4,031,894
Repairs and maintenance	3,752,437	132,812	96,982	26,573		4,008,804
Professional and contracted services	106,836	602,283	23,081	1,236,517	42,070	2,010,787
Animal care and exhibits	1,248,752					1,248,752
Insurance	317,738	92,877	43,994	4,888	4,888	464,385
Postage, printing, and supplies	241,981	75,197	31,752	47,171	14,576	410,677
Advertising and public relations				192,795		192,795
Catering	6,325		417	16,131	122,285	145,158
Rentals	44,249	6,281	3,667	14,116	18,610	86,923
Dues and subscriptions	24,836			50,913	259	76,008
Travel, meals, and entertainment	38,895	13,862	1,178	17,982	1,322	73,239
 Total expenses	 <u>\$ 16,149,949</u>	 <u>\$ 3,666,226</u>	 <u>\$ 1,060,936</u>	 <u>\$ 3,400,764</u>	 <u>\$ 889,373</u>	 <u>\$ 25,167,248</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

	Program services			Supporting services		<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
Occupancy	2,501,003	541,197	139,345	368,363	55,478	3,605,386
Repairs and maintenance	4,063,987	126,477	94,567	24,186		4,309,217
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
Advertising and public relations				141,022		141,022
Catering			1,014	11,021	263,398	275,433
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	30,360	4,143	1,000	34,601	1,199	71,303
 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

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 207,679	\$ 103,682
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	101,539	91,789
Net realized and unrealized gain on investments	(1,539,691)	(1,239,595)
Provision for contributions deemed uncollectible	712,147	
Loss on disposal of property and equipment	4,538	
Donated property and equipment	(21,345)	(20,000)
Changes in:		
Accounts receivable	(55,617)	(1,947)
Contributions receivable, net	449,960	565,036
Bequests and other receivables	2,534,358	(437,846)
Prepaid expenses	39,397	317,201
Accounts payable	(81,774)	(66,487)
Accrued expenses	346,193	27,738
Deferred revenue	181,018	(5,384)
Net cash provided (used) by operating activities	<u>2,878,402</u>	<u>(665,813)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,735,568)	(15,233,845)
Proceeds from sale of investments	2,895,371	14,572,529
Purchases of property and equipment	(155,419)	(304,325)
Net cash used by investing activities	<u>(1,995,616)</u>	<u>(965,641)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	882,786	(1,631,454)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,795,889</u>	<u>4,427,343</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,678,675</u>	<u>\$ 2,795,889</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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, 2024 AND 2023

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 292,958	\$ 237,341	\$ 235,394
Deferred revenue	\$ 1,840,401	\$ 1,659,383	\$ 1,664,767

Management believes all accounts receivable are collectible. Accordingly, no allowance for credit losses has been established. Receivables are determined to be past due based on contractual terms and are charged off when management has exhausted all collection efforts.

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 \$3,696,307 and \$2,967,164 as of June 30, 2024 and 2023, 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 11), 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.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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.

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 18, 2024, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2024 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,678,675	\$ 2,795,889
Accounts receivable	292,958	237,341
Contributions receivable	838,000	2,000,107
Bequests and other receivables	389,171	2,923,529
Investments	18,598,687	15,218,799
Total financial assets	<u>23,797,491</u>	<u>23,175,665</u>
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restriction by donors for time or purpose	<u>(5,223,199)</u>	<u>(6,033,094)</u>
Total financial assets available for general expenditure within one year	<u>\$ 18,574,292</u>	<u>\$ 17,142,571</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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. 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.

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. An allowance of \$712,147 was established for the year ended June 30, 2024 related to this note receivable. Management determined that no allowance was necessary at June 30, 2023 based on their conclusion that all receivables are collectible. The Society continues collection efforts and ultimately anticipates at least partial recovery of the note receivable.

The Society had one major donor that accounted for 100% of total net contributions receivable at June 30, 2024. One major donor accounted for 66% of total net contributions receivable at June 30, 2023.

Contributions receivable consist of the following:

	<u>2024</u>	<u>2023</u>
Contributions receivable	\$ 838,000	\$ 1,313,000
Beneficial interest in note receivable	712,147	687,107
Total	<u>1,550,147</u>	<u>2,000,107</u>
Less:		
Allowance for uncollectible note receivable	<u>(712,147)</u>	<u> </u>
Total contributions receivable, net	<u>\$ 838,000</u>	<u>\$ 2,000,107</u>

Contributions receivable are due to be collected as follows:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 838,000	\$ 1,313,000
In one to five years	<u> </u>	<u>687,107</u>
Total contributions receivable, net	<u>\$ 838,000</u>	<u>\$ 2,000,107</u>

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

5. INVESTMENTS

Investments consist of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 610,413	\$ 457,927
Mutual funds holding common stock:		
Financials	3,201,946	2,068,641
Health care	2,561,152	1,789,668
Industrials	1,472,608	939,080
Communication services	1,381,148	1,057,244
Information technology	1,057,358	1,241,410
Energy	828,509	625,679
Consumer discretionary	812,772	351,290
Materials	526,553	137,454
Consumer staples	457,577	231,050
Utilities	157,402	49,826
Real estate	105,291	20,069
Total mutual funds holding common stock	<u>13,172,729</u>	<u>8,969,338</u>
Mutual funds holding bonds	<u>5,425,958</u>	<u>6,249,461</u>
Total investments	<u>\$ 18,598,687</u>	<u>\$ 15,218,799</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, 2024 AND 2023

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>2024</u>	<u>2023</u>
Machinery and equipment	\$ 1,854,547	\$ 1,725,875
Furniture and fixtures	265,741	265,741
Total	<u>2,120,288</u>	<u>1,991,616</u>
Less accumulated depreciation	<u>(1,612,949)</u>	<u>(1,554,964)</u>
Total	<u>\$ 507,339</u>	<u>\$ 436,652</u>

Management estimates that approximately 47% and 58% of depreciation expense relates to program services and 53% and 42% of depreciation expense relates to supporting services for the years ended June 30, 2024 and 2023, respectively.

8. NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Time and purpose restricted:		
Capital program	\$ 680,187	\$ 1,442,526
Conservation	298,332	337,124
Other projects		8,764
Total time and purpose restricted	<u>978,519</u>	<u>1,788,414</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>\$ 5,223,199</u>	<u>\$ 6,033,094</u>

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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
- 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, 2024 and 2023. There were no donor endowment deficits in the years ended June 30, 2024 and 2023.

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.

9. 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 \$228,583 and \$233,868 for the years ended June 30, 2024 and 2023, respectively.

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10. IN-KIND CONTRIBUTIONS

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

	<u>2024</u>	<u>2023</u>
Legal services	\$ 453,475	\$ 86,293
Auction items and catering services	52,243	36,901
Furniture and equipment	21,345	20,000
Veterinary services	18,300	46,580
Animal food	<u> </u>	<u>76,241</u>
Total donated materials and services	<u>\$ 545,363</u>	<u>\$ 266,015</u>

Legal services represent services from attorneys advising the Society on various administrative legal matters. 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, 2024 and 2023 were sold at fundraising events during the year received. All items were valued based upon estimates of fair market value or 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 were contributed by the donor. Various veterinarian equipment and office equipment was also donated to the Society. Veterinary services, consisting of donated time and waived services, were provided by multiple doctors. Animal food includes a variety of produce donated by retailers.

The Society's policy related to in-kind contributions is to utilize the assets given to carry out its mission. All in-kind contributions received by the Society for the years ended June 30, 2024 and 2023 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.

11. CITY AND COUNTY OF SAN FRANCISCO

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, 2024 and 2023.

Under the Agreement, utilities expenses were incurred with the City by the Society for the years ended June 30, 2024 and 2023, totaling \$1,464,301 and \$1,299,526, respectively.

SAN FRANCISCO ZOOLOGICAL SOCIETY

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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.

12. 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 \$1,363,593 and \$1,496,615 for the years ended June 30, 2024 and 2023, respectively.

13. 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 at June 30, 2023, related to these credits. Payment was received in full during the year ended June 30, 2024.

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.

14. RISKS AND UNCERTAINTIES

The Society is at times involved in various lawsuits and legal claims that arise in the ordinary course of its operations. The Society accrues for loss contingencies with legal matters when it is probable that a liability will be incurred, and the amount of the loss can be reasonably estimated. In the Society's opinion, based on its evaluation of these matters, its experience to date and discussions with counsel, the ultimate outcome of current or potential legal proceedings are not expected to have a material adverse effect on the Society's financial position. However, there is a possibility that the ultimate resolution of these matters will differ from management's estimate