

**SACRAMENTO ZOOLOGICAL  
SOCIETY**

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

**YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Sacramento Zoological Society  
Sacramento, California**

We have audited the accompanying financial statements of Sacramento Zoological Society, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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.

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Board of Directors  
Sacramento Zoological Society  
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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sacramento Zoological Society as of December 31, 2012 and 2011, 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 Associates, Inc." in a cursive script.

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**April 29, 2013**

# SACRAMENTO ZOOLOGICAL SOCIETY

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2012 AND 2011

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<b>ASSETS</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,023,825	\$ 624,860
Accounts receivable	70,450	55,517
Prepaid expenses and other current assets	<u>68,605</u>	<u>83,029</u>
Total current assets	1,162,880	763,406
<b>INVESTMENTS</b>	3,756,194	3,292,770
<b>PROPERTY AND EQUIPMENT - Net</b>	6,210,521	6,518,246
<b>CHARITABLE REMAINDER TRUST ASSETS</b>	<u>597,982</u>	<u>522,665</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,727,577</u>	<u>\$ 11,097,087</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 191,941	\$ 205,036
Accrued and other liabilities	249,708	176,160
Deferred revenue	299,023	294,269
Current portion of note payable	<u>119,047</u>	<u>114,638</u>
Total current liabilities	859,719	790,103
<b>NOTE PAYABLE - Net</b>	<u>102,419</u>	<u>221,342</u>
<b>TOTAL LIABILITIES</b>	<u>962,138</u>	<u>1,011,445</u>
<b>NET ASSETS:</b>		
Unrestricted	6,626,130	6,252,765
Temporarily restricted	925,385	643,305
Permanently restricted	<u>3,213,924</u>	<u>3,189,572</u>
Total net assets	<u>10,765,439</u>	<u>10,085,642</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,727,577</u>	<u>\$ 11,097,087</u>

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

# SACRAMENTO ZOOLOGICAL SOCIETY

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2012

<b>REVENUES AND SUPPORT:</b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Program revenues:				
Gate admissions	\$ 2,662,721			\$ 2,662,721
Memberships	798,402			798,402
City of Sacramento	489,510			489,510
Concessions	480,623			480,623
Visitor services and group sales	399,367			399,367
Education	248,356			248,356
Total program revenues	<u>5,078,979</u>			<u>5,078,979</u>
Other support:				
Contributions, grants and sponsorships	214,811	\$ 146,323	\$ 12,302	373,436
Special events - net of costs of \$194,958	161,129			161,129
Rent and other revenue	66,220			66,220
In-kind donations - net	24,842			24,842
Satisfaction of restrictions - operations	100,210	(100,210)		
Total other support	<u>567,212</u>	<u>46,113</u>	<u>12,302</u>	<u>625,627</u>
Total revenues and support	<u>5,646,191</u>	<u>46,113</u>	<u>12,302</u>	<u>5,704,606</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Animal care	2,559,524			2,559,524
Membership and visitor services	949,001			949,001
Education	657,757			657,757
Promotions and public relations	351,344			351,344
Total program services	<u>4,517,626</u>			<u>4,517,626</u>
Supporting services:				
General and administrative	485,744			485,744
Fundraising	410,802			410,802
Total supporting services	<u>896,546</u>			<u>896,546</u>
Total operating expenses	<u>5,414,172</u>			<u>5,414,172</u>
<b>NET INCOME FROM OPERATIONS</b>	232,019	46,113	12,302	290,434
Bequests	194,221			194,221
Investment income	310,341	23,368	12,050	345,759
Contributions for capital projects		144,039		144,039
Satisfaction of restrictions - capital projects	6,757	(6,757)		
Depreciation and amortization expense	(369,973)			(369,973)
Change in value of charitable remainder trust assets		75,317		75,317
<b>INCREASE IN NET ASSETS</b>	373,365	282,080	24,352	679,797
<b>NET ASSETS, Beginning of Year</b>	<u>6,252,765</u>	<u>643,305</u>	<u>3,189,572</u>	<u>10,085,642</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 6,626,130</u>	<u>\$ 925,385</u>	<u>\$ 3,213,924</u>	<u>\$ 10,765,439</u>

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

# SACRAMENTO ZOOLOGICAL SOCIETY

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2011

<b>REVENUES AND SUPPORT:</b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Program revenues:				
Gate admissions	\$ 2,396,601			\$ 2,396,601
Memberships	737,331			737,331
City of Sacramento	502,151			502,151
Concessions	447,929			447,929
Visitor services and group sales	385,070			385,070
Education	272,707			272,707
Total program revenues	<u>4,741,789</u>			<u>4,741,789</u>
Other support:				
Contributions, grants and sponsorships	203,839	\$ 65,260	\$ 1,794,071	2,063,170
Special events - net of costs of \$207,505	186,183			186,183
Rent and other revenue	60,980			60,980
In-kind donations - net	26,771			26,771
Satisfaction of restrictions - operations	67,196	(67,196)		
Total other support	<u>544,969</u>	<u>(1,936)</u>	<u>1,794,071</u>	<u>2,337,104</u>
Total revenues and support	<u>5,286,758</u>	<u>(1,936)</u>	<u>1,794,071</u>	<u>7,078,893</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Animal care	2,428,726			2,428,726
Membership and visitor services	924,222			924,222
Education	624,620			624,620
Promotions and public relations	257,831			257,831
Total program services	<u>4,235,399</u>			<u>4,235,399</u>
Supporting services:				
General and administrative	447,947			447,947
Fundraising	408,485			408,485
Total supporting services	<u>856,432</u>			<u>856,432</u>
Total operating expenses	<u>5,091,831</u>			<u>5,091,831</u>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	194,927	(1,936)	1,794,071	1,987,062
Bequests	26,000			26,000
Investment loss	(20,252)			(20,252)
Contributions for capital projects	91,071	35,852		126,923
Satisfaction of restrictions - capital projects	166,055	(166,055)		
Depreciation and amortization expense	(352,847)			(352,847)
Change in value of charitable remainder trust assets		(280,084)		(280,084)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	104,954	(412,223)	1,794,071	1,486,802
<b>NET ASSETS, Beginning of Year</b>	<u>6,147,811</u>	<u>1,055,528</u>	<u>1,395,501</u>	<u>8,598,840</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 6,252,765</u>	<u>\$ 643,305</u>	<u>\$ 3,189,572</u>	<u>\$ 10,085,642</u>

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

# SACRAMENTO ZOOLOGICAL SOCIETY

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011

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	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 679,797	\$ 1,486,802
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization expense	369,973	352,847
Loss on sale of equipment	4,900	
Realized and unrealized loss (gain) on investments	(266,191)	39,849
Permanently restricted contributions	(12,302)	(1,794,071)
Contributed property and equipment		(91,071)
Changes in:		
Accounts receivable	(14,933)	44,195
Prepaid expenses and other current assets	14,424	5,494
Charitable remainder trust assets	(75,317)	280,084
Accounts payable	(13,095)	(72,256)
Accrued and other liabilities	73,548	15,822
Deferred revenue	4,754	(2,769)
Net cash provided by operating activities	<u>765,558</u>	<u>264,926</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(255,570)	(1,811,519)
Proceeds from sale of investments	58,337	
Purchases of property and equipment	<u>(67,148)</u>	<u>(279,080)</u>
Net cash used by investing activities	<u>(264,381)</u>	<u>(2,090,599)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on note payable	(114,514)	(110,187)
Permanently restricted contributions	<u>12,302</u>	<u>1,794,071</u>
Net cash provided (used) by financing activities	<u>(102,212)</u>	<u>1,683,884</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	398,965	(141,789)
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>624,860</u>	<u>766,649</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 1,023,825</u>	<u>\$ 624,860</u>
<b>OTHER CASH FLOW INFORMATION:</b>		
Interest paid	<u>\$ 10,708</u>	<u>\$ 15,158</u>

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

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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### 1. OPERATIONS

The Sacramento Zoological Society (the Society) is a nonprofit public benefit corporation dedicated to the conservation of the world's wildlife through stimulating education and recreation programs, creative and naturalistic exhibits, and innovative species management programs.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of 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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Revenue recognition** – Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statements of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets are those net assets whose use by the Society is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Society and consist of contributions to the Society's endowment funds.

Gate admissions and concessions revenue is recognized upon receipt. Membership revenue is recognized over the term of the membership period, typically one year. Education, visitor services and special event revenues are recognized when the related events occur.

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, including certificates of deposit, with an initial maturity of three months or less to be cash equivalents, unless held for long-term investing purposes.

The Society maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts. Management believes the Society is not exposed to any significant credit risk related to cash.

**Property and equipment** is stated at cost. The Society capitalizes all expenditures for property and equipment with a cost of \$2,500 or more. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 39 years. Park improvements represent costs the Society has incurred for building and improving exhibits on the premises of the Sacramento Zoo and are amortized over their estimated useful lives. Should the lease with the City of Sacramento expire, these assets would become the property of the City.



# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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**Charitable remainder trust assets** reflect the estimated fair value of various irrevocable charitable trusts, held by a third-party trustee, for which the Society is a remainder beneficiary. The fair value of the Society's remainder interest in irrevocable trusts is determined using investment returns consistent with the composition of the asset portfolios, life expectancies of the lead beneficiaries, and a discount rate of 4.0% for December 31, 2012 and 2011, respectively. The donors have imposed purpose restrictions on the Society's use of the funds when eventually received.

**Functional expenses** – The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated based on employees' time incurred and management's estimate of the usage of resources.

**Income taxes** – The Society is publicly supported and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Society has implemented the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

**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.

**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 that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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When a price for an identical asset or liability is not observable, a reporting entity measures 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.

**Subsequent events** have been evaluated through April 29, 2013, the date the financial statements were available to be issued.

**Reclassifications** – Certain 2011 amounts have been reclassified to conform to the 2012 financial statement presentation.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Park improvements	\$ 7,118,931	\$ 7,061,656
Zoo operations equipment	1,325,850	1,326,450
Education trailers	199,489	199,489
Equipment	191,089	191,089
Work in progress	6,757	4,900
Art work	<u>53,416</u>	<u>50,300</u>
Total	8,895,532	8,833,884
Less accumulated depreciation and amortization	<u>(2,685,011)</u>	<u>(2,315,638)</u>
Property and equipment, net	<u>\$ 6,210,521</u>	<u>\$ 6,518,246</u>

Management estimates that approximately 97% of depreciation and amortization expense relates to program services and 3% to supporting services for 2012 and 2011.

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

### 4. INVESTMENTS

The Society's investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Investments consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 170,275	\$ 1,867,440
Certificates of deposit	181,941	272,763
Mutual funds:		
Value funds	699,251	351,490
Fixed income funds	1,218,675	197,721
Blended funds	643,617	194,352
Growth funds	432,986	82,228
Real estate funds	69,402	61,926
Other	38,085	
Common stocks:		
Technology	180,575	159,232
Services	76,117	67,911
Healthcare	32,288	27,660
Conglomerate	7,242	6,179
Financial services	<u>5,740</u>	<u>3,868</u>
Total	<u>\$ 3,756,194</u>	<u>\$ 3,292,770</u>

Investment income (loss) consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 87,739	\$ 33,846
Net realized and unrealized gains (losses)	266,191	(39,849)
Investment management fees	<u>(8,171)</u>	<u>(14,249)</u>
Total	<u>\$ 345,759</u>	<u>\$ (20,252)</u>

### 5. CHARITABLE REMAINDER TRUST ASSETS

The Society's charitable remainder trusts are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data. The donors have imposed purpose restrictions on the Society's use of the funds when eventually received.

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

Changes in the Level 3 charitable remainder trust assets consist of:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 522,665	\$ 802,749
Unrealized gain (loss) in value of charitable remainder trust assets	<u>75,317</u>	<u>(280,084)</u>
Ending balance	<u>\$ 597,982</u>	<u>\$ 522,665</u>

### 6. AGREEMENT WITH THE CITY OF SACRAMENTO

The Society and the City of Sacramento (the City) have a partnership agreement for the Sacramento Zoo. Under the agreement, the Society is responsible for the operation, management and development of the Zoo. The City retains ownership of the Zoo grounds, real property, some of the animal collection, and other certain fixed assets. In consideration for operating the Zoo, the City provided \$489,510 and \$502,151 to the Society during 2012 and 2011, respectively.

Under the partnership agreement, the Society is responsible for reimbursing the City for certain operating expenses. The City nets the management fees owed to the Society with the amount the Society owes the City for operating expenses on a quarterly basis. The net receivable balance due from the City was \$26,957 and \$30,593 at December 31, 2012 and 2011, respectively, and is included in accounts receivable on the statements of financial position.

Under the partnership agreement, the Society is also entitled to receive a percentage of rental revenue generated from Funderland, Inc., a nearby attraction from the City. The Society recognized rental revenue from Funderland, Inc. in the amount of \$58,996 and \$60,980 for 2012 and 2011, respectively.

### 7. NET ASSETS

A portion of the Society's unrestricted net assets are designated as follows:

	<u>2012</u>	<u>2011</u>
Board designated:		
Small Wonders Renovation	\$ 199,782	
Vision Committee Survey	25,000	
Capital improvements		\$ 40,127
Undesignated	<u>6,401,348</u>	<u>6,212,638</u>
Total	<u>\$ 6,626,130</u>	<u>\$ 6,252,765</u>

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

Temporarily restricted net assets consist of unexpended funds from contributions and bequests, restricted for use in the following programs:

	<u>2012</u>	<u>2011</u>
Capital improvements, time restrictions	\$ 597,982	\$ 522,665
Small animal renovation	142,282	5,000
SSP and Conservation funds	71,644	50,994
Four-legged mammals	23,368	
Miscellaneous	<u>90,109</u>	<u>64,646</u>
Total	<u>\$ 925,385</u>	<u>\$ 643,305</u>

The Society's endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) accumulated unrealized appreciation and depreciation of endowment investments if directed by the donor gift instrument, (c) the original value of subsequent gifts to the permanent endowments, and (d) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Permanently restricted net assets of \$3,213,924 and \$3,189,572 consist of two endowment funds at December 31, 2012 and 2011.

Under the endowment investment policy as approved by the Board of Directors, the primary investment objectives are to preserve principal, to provide a dependable and reasonable rate of return consistent with appropriate investment risk, and to maximize income within a framework of moderate risk assumption. When the donor's intent is not explicitly expressed, the Society has a policy of annually distributing five percent of its endowment funds' investment income at September 1, except when a distribution would cause the endowment to reduce below the original principal balance.

Changes in permanently restricted endowment net assets are as follows:

<b>Year ending December 31:</b>	<u>2012</u>	<u>2011</u>
Endowment net assets, beginning of year	\$ 3,189,572	\$ 1,395,501
Investment income	12,050	
Contributions	<u>12,302</u>	<u>1,794,071</u>
Endowment net assets, end of year	<u>\$ 3,213,924</u>	<u>\$ 3,189,572</u>

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

### 8. IN-KIND DONATIONS

Donated materials, equipment, and services were recognized as follows:

	<u>2012</u>	<u>2011</u>
Auction items	\$ 46,164	\$ 87,712
Capital improvements		91,071
Miscellaneous	<u>21,735</u>	<u>24,064</u>
Total in-kind donations	67,899	202,847
Less: amounts included in special events	(43,057)	(85,005)
Less: amounts included in contributions for capital projects	<u>                    </u>	<u>(91,071)</u>
Total	<u>\$ 24,842</u>	<u>\$ 26,771</u>

### 9. LINE OF CREDIT AGREEMENT

The Society has a line of credit agreement with US Bank. The line of credit has a credit limit of \$500,000, with a variable interest rate equal to the bank's prime rate (3.25% at December 31, 2012 and 2011). The line of credit expires on August 5, 2013. At December 31, 2012 and 2011, no funds were borrowed on this line.

### 10. NOTE PAYABLE

The Society has a note payable with US Bank. The note is secured by equipment and is payable in monthly installments of \$10,445, including interest at an annual rate of 3.78% and maturing October 15, 2014. The Society is in compliance with all debt covenants related to the note payable.

Scheduled annual maturities of the note payable are as follows:

Year ending December 31:

2013	\$ 119,047
2014	<u>102,419</u>
Total	221,466
Less: current portion	<u>(119,047)</u>
Note payable - net	<u>\$ 102,419</u>

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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### 11. RETIREMENT PLAN

The Society sponsors a retirement plan under Internal Revenue Code 403(b). Employees become eligible to participate in the Plan upon hire. Plan employees who complete at least 1,000 hours of service during the plan year are eligible to receive an allocation of any matching and non-elective contributions made at the discretion of the Society. During 2012 and 2011, the Society contributed to the plan one percent of each participant's compensation and matched one and a half percent of each employee's contribution. Employees are 100% vested at all times. The Society's contributions to this plan amounted to \$44,351 and \$50,891 during 2012 and 2011, respectively.

The Society has also established a deferred compensation plan under IRC Section 457(b). The 457(b) plan provides up to \$16,500 of deferred compensation per year, dependent on IRS limits, following completion of 2 years of service with the Society. For 2012 and 2011, the Society made contributions of 7% of eligible compensation. Such contributions totaled \$9,006 and \$6,631 for 2012 and 2011, respectively.

### 12. COMMITMENTS

The Society has a concessions agreement with Service Systems Associates, Inc. (SSA) to provide for the operation of a food, beverage, and gift shop concession at the Zoo. SSA has agreed to pay the Society certain percentages of gross receipts based on the various types of concession sales. Concession revenues totaled \$480,623 and \$447,929 for 2012 and 2011, respectively.