

**SACRAMENTO ZOOLOGICAL
SOCIETY**

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

**YEARS ENDED
DECEMBER 31, 2020 AND 2019**

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
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, 2020 and 2019, 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.



GILBERT CPAs
Sacramento, California

July 12, 2021

SACRAMENTO ZOOLOGICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,293,175	\$ 2,362,218
Accounts receivable	49,639	60,101
Prepaid expenses and other current assets	<u>66,810</u>	<u>86,521</u>
Total current assets	3,409,624	2,508,840
INVESTMENTS	6,671,977	5,747,205
PROPERTY AND EQUIPMENT - Net	5,972,167	6,312,232
CHARITABLE REMAINDER TRUST ASSETS	<u>753,794</u>	<u>695,271</u>
TOTAL ASSETS	<u>\$ 16,807,562</u>	<u>\$ 15,263,548</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 162,517	\$ 235,185
Accrued and other liabilities	455,058	411,029
Deferred revenue	462,077	640,338
Line of credit	<u>500,000</u>	
Total current liabilities	1,579,652	1,286,552
PAYROLL PROTECTION PROGRAM LOAN	<u>932,397</u>	
Total liabilities	<u>2,512,049</u>	<u>1,286,552</u>
NET ASSETS:		
Without donor restrictions	8,617,794	8,621,788
With donor restrictions	<u>5,677,719</u>	<u>5,355,208</u>
Total net assets	<u>14,295,513</u>	<u>13,976,996</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,807,562</u>	<u>\$ 15,263,548</u>

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

SACRAMENTO ZOOLOGICAL SOCIETY

STATEMENTS OF ACTIVITIES (Page 1 of 2) YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Gate admissions	\$ 2,603,448	\$ 3,939,159
Memberships	1,156,976	1,158,094
Concessions	393,773	641,248
Visitor services and group sales	164,879	713,627
City of Sacramento	322,578	308,610
Education	40,023	393,682
Total program revenues	<u>4,681,677</u>	<u>7,154,420</u>
Other support:		
Contributions, grants and sponsorships	1,657,858	469,020
Special events - net of costs of \$33,260 and \$225,007 in 2020 and 2019, respectively	1,718	393,091
Rent and other revenues	20,074	69,374
Satisfaction of restrictions - operations	24,626	189,561
Total other support	<u>1,704,276</u>	<u>1,121,046</u>
Total revenues and support	<u>6,385,953</u>	<u>8,275,466</u>
OPERATING EXPENSES:		
Program services:		
Animal care	3,211,394	3,833,113
Visitor services	879,148	1,019,038
Education	641,884	934,842
Membership	369,536	374,395
Promotions and public relations	318,804	705,070
Total program services	<u>5,420,766</u>	<u>6,866,458</u>
Supporting services:		
General and administrative	630,224	875,291
Fundraising	240,709	365,373
Total supporting services	<u>870,933</u>	<u>1,240,664</u>
Total operating expenses	<u>6,291,699</u>	<u>8,107,122</u>
NET INCOME FROM OPERATIONS	94,254	168,344

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

SACRAMENTO ZOOLOGICAL SOCIETY

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
(CONTINUED):		
Investment income	\$ 187,416	\$ 442,021
Bequests	11,000	20,000
Funds returned to donors		(103,500)
Satisfaction of restrictions - capital projects	178,064	802,612
Depreciation and amortization expense	<u>(474,728)</u>	<u>(503,827)</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(3,994)</u>	<u>825,650</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions, grants and sponsorships	140,800	290,245
Change in value of charitable remainder trust assets	58,523	83,028
Investment income	325,878	388,151
Satisfaction of restrictions - operations	(24,626)	(189,561)
Satisfaction of restrictions - capital projects	<u>(178,064)</u>	<u>(802,612)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>322,511</u>	<u>(230,749)</u>
INCREASE IN NET ASSETS	318,517	594,901
NET ASSETS, Beginning of Year	<u>13,976,996</u>	<u>13,382,095</u>
NET ASSETS, End of Year	<u>\$ 14,295,513</u>	<u>\$ 13,976,996</u>

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

SACRAMENTO ZOOLOGICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	Program services					Supporting services		<u>Total</u>
	<u>Animal care</u>	<u>Visitor services</u>	<u>Education</u>	<u>Membership</u>	<u>Promotions and public relations</u>	<u>Administration</u>	<u>Development</u>	
Personnel costs	\$ 2,100,269	\$ 336,674	\$ 546,520	\$ 325,205	\$ 216,811	\$ 386,189	\$ 176,185	\$ 4,087,853
Facilities, repairs & maintenance	431,511	199,198	40,840	194	23,945	44,259	8,288	748,235
Animal supplies & veterinary services	380,530	655	2,275	7,500			5,000	395,960
Professional fees	217,466	119,862				34,949		372,277
Bank charges	3	125,200	241			67,637	4,324	197,405
Information technology	6,854	37,902	12,824	13,651	12,624	29,196	10,921	123,972
Insurance	10,314	41,272	20,156		960	22,319	960	95,981
Advertising, promotion & public relations	22		4,322	334	56,043	266	27,304	88,291
Office expenses	11,024	10,699	3,473	3,045	2,235	17,645	5,735	53,856
Staff development & travel	934	4,688		17,401	117	2,687	1,334	27,161
Conservation contributions	23,624							23,624
Dues & subscriptions	12,949		14		3,207	5,300	658	22,128
Education materials	158		10,950	199	79			11,386
Other	15,736	2,998	269	2,007	2,783	19,777		43,570
Total expenses	<u>\$ 3,211,394</u>	<u>\$ 879,148</u>	<u>\$ 641,884</u>	<u>\$ 369,536</u>	<u>\$ 318,804</u>	<u>\$ 630,224</u>	<u>\$ 240,709</u>	<u>\$ 6,291,699</u>

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

SACRAMENTO ZOOLOGICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program services					Supporting services		<u>Total</u>
	<u>Animal care</u>	<u>Visitor services</u>	<u>Education</u>	<u>Membership</u>	<u>Promotions and public relations</u>	<u>Administration</u>	<u>Development</u>	
Personnel costs	\$ 2,384,057	\$ 460,183	\$ 757,853	\$ 328,154	\$ 373,284	\$ 599,646	\$ 260,535	\$ 5,163,712
Facilities, repairs & maintenance	526,292	163,437	42,010		81,955	43,607	9,098	866,399
Animal supplies & veterinary services	387,164		2,328			20		389,512
Professional fees	217,148	120,447	355	51	239	61,600	103	399,943
Bank charges		170,209			3,234	54,296		227,739
Information technology	13,460	20,272	11,560	10,651	14,660	26,132	10,771	107,506
Insurance	33,907	47,032	22,969		1,094	3,281	1,094	109,377
Advertising, promotion & public relations	150	467	5,680	755	200,582	669	75,321	283,624
Office expenses	17,754	17,299	3,889	6,507	7,863	12,747	2,762	68,821
Staff development & travel	25,752	11,169	547	27,851	1,296	13,869	4,063	84,547
Conservation contributions	176,776							176,776
Dues & subscriptions	14,132	190	155		3,481	27,423	1,488	46,869
Education materials			86,877		240		49	87,166
Other	36,521	8,333	619	426	17,142	32,001	89	95,131
Total expenses	<u>\$ 3,833,113</u>	<u>\$ 1,019,038</u>	<u>\$ 934,842</u>	<u>\$ 374,395</u>	<u>\$ 705,070</u>	<u>\$ 875,291</u>	<u>\$ 365,373</u>	<u>\$ 8,107,122</u>

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

SACRAMENTO ZOOLOGICAL SOCIETY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 318,517	\$ 594,901
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization expense	474,728	503,827
Realized and unrealized gain on investments	(347,292)	(689,430)
Receipt of donated property and equipment		(78,200)
Gain on sale of property and equipment		(8,000)
Changes in:		
Accounts receivable	10,462	168,280
Prepaid expenses and other current assets	19,711	18,042
Charitable remainder trust assets	(58,523)	(83,028)
Accounts payable	(72,668)	7,589
Accrued and other liabilities	44,029	(371,280)
Deferred revenue	(178,261)	123,685
Net cash provided by operating activities	<u>210,703</u>	<u>186,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,792,486)	(900,586)
Proceeds from sale of investments	1,215,006	1,299,540
Purchases of property and equipment	(134,663)	(391,215)
Proceeds from the sale of property and equipment		8,000
Net cash provided (used) by investing activities	<u>(712,143)</u>	<u>15,739</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	500,000	
Proceeds from Payroll Protection Program loan	932,397	
Net cash provided by financing activities	<u>1,432,397</u>	
NET INCREASE IN CASH AND CASH EQUIVALENTS	930,957	202,125
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,362,218</u>	<u>2,160,093</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,293,175</u>	<u>\$ 2,362,218</u>

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

SACRAMENTO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 two classes of net assets based on the existence or absence of donor or grantor imposed restrictions:

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. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue recognition – Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. 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 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 the time restrictions expire or the contributions are used for the restricted purpose. Endowments 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.

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.

The Society's revenue from contracts with customers consists of membership revenue, gate admissions, concession, visitor services and group sales, education and special event revenues, and consideration received from the City of Sacramento for the operation of the Zoo. Gate admissions and concessions revenue are recognized upon receipt. Education, visitor services and group sales, and special event revenues are recognized when the related events occur. Consideration received for the operation of the Zoo is recognized as the Society fulfills their agreed upon obligation to operate the Zoo, generally evenly over the year.

SACRAMENTO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The Society's membership period is generally one year and its dues contain various performance obligations. Revenue has been allocated among the performance obligations based on their relative standalone values in relation to the cost of the membership. Those performance obligations which are satisfied over time, such as access to the Zoo, are satisfied evenly over the membership period. Membership revenue related to the Zoo's Ice Cream Safari event is recognized when the event takes place. Generally, payment is due from members when they initiate or renew their annual membership.

For the year ended December 31, 2020 and 2019, revenue recognized for goods transferred at a point in time totaled \$3,229,242 and \$6,117,158, respectively. For the year ended December 31, 2020 and 2019, revenue recognized for services transferred over time totaled \$1,151,649 and \$1,191,117, respectively.

The balances of accounts receivable and contract liabilities from contracts with customers are as follows as of December 31:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 49,639	\$ 60,101	\$ 68,381
Contract liabilities:			
Deferred revenue	<u>\$ 462,077</u>	<u>\$ 640,338</u>	<u>\$ 516,653</u>

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 minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The Society deposits held with financial institutions in excess of federal deposit insurance limits were \$2,690,796 and \$1,727,872 as of December 31, 2020 and 2019, 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.

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 (the City) expire, these assets would become the property of the City.

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 both December 31, 2020 and 2019. 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, 2020 AND 2019

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. The expenses that are allocated include utilities, insurance, and advertising which are allocated based on management’s estimate of usage and salaries which are allocated based on time and effort; all other expenses are allocated based on specific identification of expenses.

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.

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.

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 July 12, 2021 the date the financial statements were issued. Refer to Note 9.

SACRAMENTO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,293,175	\$ 2,362,218
Investments	6,671,977	5,747,205
Accounts receivable	<u>49,639</u>	<u>60,101</u>
Total financial assets available within one year	10,014,791	8,169,524
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time or purpose restrictions	(5,677,719)	(5,355,208)
Board designation for emergency repairs and other projects	<u>(147,070)</u>	<u>(147,070)</u>
Total financial assets available for general expenditure within one year	<u>\$ 4,190,002</u>	<u>\$ 2,667,246</u>

The Society structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As described in Note 8, the Society also has a line of credit in the amount of \$500,000, which it draws upon as needed.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Park improvements	\$ 9,632,223	\$ 9,438,880
Zoo operations equipment	1,628,993	1,612,444
Education trailers	397,896	397,896
Equipment	233,378	233,378
Construction in progress	26,849	102,078
Art work	<u>53,416</u>	<u>53,416</u>
Total	11,972,755	11,838,092
Less accumulated depreciation and amortization	<u>(6,000,588)</u>	<u>(5,525,860)</u>
Property and equipment, net	<u>\$ 5,972,167</u>	<u>\$ 6,312,232</u>

Management estimates that approximately 94% of depreciation and amortization expense relates to program services and 6% to supporting services for both 2020 and 2019.

SACRAMENTO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 695,271	\$ 612,243
Change in value of charitable remainder trust assets	<u>58,523</u>	<u>83,028</u>
Ending balance	<u>\$ 753,794</u>	<u>\$ 695,271</u>

6. 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,089,921	\$ 680,888
Mutual funds:		
Domestic equity	2,108,383	2,047,068
Foreign equity	1,646,798	1,098,500
Fixed income funds	1,340,864	1,385,794
Real estate funds	83,890	74,232
Other	<u>402,121</u>	<u>460,723</u>
Total	<u>\$ 6,671,977</u>	<u>\$ 5,747,205</u>

7. AGREEMENT WITH THE CITY OF SACRAMENTO

The Society and 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 certain other fixed assets. In consideration for operating the Zoo, the City provided \$322,578 and \$308,610 to the Society during 2020 and 2019, 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 \$24,307 and \$26,750 at December 31, 2020 and 2019, respectively, and is included in accounts receivable on the statements of financial position.

SACRAMENTO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 \$20,023 and \$61,348 for 2020 and 2019, respectively.

8. 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 (3.5% and 4.5% at December 31, 2020 and 2019, respectively). The line of credit expires on August 5, 2021. The balance as of December 31, 2020 was \$500,000. There was no outstanding balance as of December 31, 2019.

9. PAYROLL PROTECTION PROGRAM LOAN

In April 2020, the Society received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$932,397. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPFPA) signed into law in June 2020. Under the CARES Act, as modified by PPFPA, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained. Additionally, PPFPA extended the date by which the borrower is required to make the first monthly principal and interest payment, to a date that is one month immediately following the date on which the Small Business Administration (SBA) determines the appropriate forgiveness amount and remits the decision to the lender. The portion of the loan that does not qualify for forgiveness or any additional amount that the Society chooses to maintain as a loan, is required to be repaid within 2 years at 1% interest.

The Society anticipates applying for forgiveness, however the application for loan forgiveness is subject to approval by the lender and could also be subject to audit at a future date. It is possible that the entire loan could be required to be repaid. The timing of possible repayments, if any, is expected to begin 10 months after the end of the loan forgiveness covered period.

In February 2021, the Society received a second PPP loan totaling \$686,035 under the same terms and conditions per the CARES Act. The portion of the loan that does not qualify for forgiveness or any additional amount that the Society chooses to maintain as a loan, is required to be repaid within 2 years at 1% interest. The Society anticipates applying for forgiveness of the loan, however the application for loan forgiveness is subject to approval by the lender. The timing of possible repayments, if any, is expected to begin June 2022 after the 24-week cover period and 10-month payment deferral. The extent and amount of forgiveness cannot be determined at this time.

SACRAMENTO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

A portion of the Society's net assets without donor restrictions are designated as follows:

	<u>2020</u>	<u>2019</u>
Board designated:		
Emergency repairs	\$ 77,603	\$ 77,603
Other projects	69,467	69,467
Undesignated	<u>8,470,724</u>	<u>8,474,718</u>
Total	<u>\$ 8,617,794</u>	<u>\$ 8,621,788</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of unexpended funds from contributions and bequests, restricted for use in the following programs:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Capital improvements, time restrictions	\$ 845,015	\$ 923,306
Four-legged mammals	367,977	222,527
Education	289,891	275,378
SSP & conservation funds	193,349	168,779
Miscellaneous	<u>294,198</u>	<u>258,357</u>
Total purpose restrictions	1,990,430	1,848,347
Perpetual restrictions:		
Endowments	<u>3,687,289</u>	<u>3,506,861</u>
Total	<u>\$ 5,677,719</u>	<u>\$ 5,355,208</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 has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value 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 with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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.

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Except when a distribution would cause the endowment to reduce below the original principal balance, the Society has a policy of annually distributing up to five percent of one of the endowment funds' three year average market value, and up to seven percent of the other endowment fund's three year average market value. The distributions of the donor-restricted endowment funds are maintained as donor restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA and donor restrictions. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate the donor-restricted 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

Net assets with donor restrictions that are permanently restricted consist of two endowment funds at December 31, 2020 and 2019.

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.

Changes in permanently restricted endowment net assets are as follows:

Year ending December 31:	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 3,506,861	\$ 3,269,704
Investment income	325,878	388,151
Allowable distributions	<u>(145,450)</u>	<u>(150,994)</u>
Endowment net assets, end of year	<u>\$ 3,687,289</u>	<u>\$ 3,506,861</u>

12. 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 2020 and 2019, 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 \$32,946 and \$62,302 during 2020 and 2019, respectively.

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The Society has also established a deferred compensation plan under IRC Section 457(b). The 457(b) plan provides up to \$18,000 of deferred compensation per year, dependent on IRS limits, following completion of 2 years of service with the Society. For 2020 and 2019, the Society made contributions of 5% of eligible compensation. Such contributions totaled \$7,500 and \$7,788 for 2020 and 2019, respectively.

13. 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 \$393,773 and \$641,248 for 2020 and 2019, respectively.

14. RISKS AND UNCERTAINTIES

In March 2020, the coronavirus pandemic caused a business disruption through the mandated cancellation of all large public gatherings. As a result, the Society closed the Zoo to the public effective March 14, 2020, and took measures to reduce non-essential expenses, including laying off fifty-two employees and furloughing or reducing the work schedules for forty-five other employees. Twenty-four employees dedicated to the health and well-being of the zoo's animal collection did not have their employment impacted.

In May 2020, working with Sacramento County Public Health officials, the Society presented plans for a modified zoo operation that encourages social distancing and other safety measures. This plan was approved in June and the Society received permission to reopen the zoo to the public effective June 15, 2020. Leading up to the reopening, the Zoo restored forty-five of the employees that had been laid-off, furloughed, or had their work schedules reduced.

In December 2020, the Society was impacted by a second pandemic-related regional stay-at-home order. In compliance with the Sacramento County Health Order, the Society closed the Zoo to the public effective December 10, 2020, and reopened on January 15, 2021, after the stay at-home order was lifted.

Since the initial pandemic related zoo closure in March 2020, the Society has limited capacity and cancelled various zoo programs in response to the coronavirus or specific government mandates. These cancelled programs include summer zoo camps, other educational programs, special events and private zoo rentals, both in 2020 and 2021. The Society is unable to anticipate if or when these programs will resume at pre-pandemic levels. Furthermore, due to the uncertainty of future government mandated requirements related to the coronavirus, the Society is unable to estimate what impact, if any, such orders would have.