

**SACRAMENTO ZOOLOGICAL  
SOCIETY**

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

**YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Sacramento Zoological Society (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 Sacramento Zoological 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 opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sacramento Zoological 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 Sacramento Zoological 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 Sacramento Zoological Society 's ability to continue as a going concern for a reasonable period of time.

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



**GILBERT CPAS**  
**Sacramento, California**

**May 20, 2022**

# SACRAMENTO ZOOLOGICAL SOCIETY

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

<b>ASSETS</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 8,951,201	\$ 3,293,175
Accounts receivable	61,315	49,639
Prepaid expenses and other current assets	128,653	66,810
Total current assets	<u>9,141,169</u>	<u>3,409,624</u>
<b>INVESTMENTS</b>	7,346,720	6,671,977
<b>PROPERTY AND EQUIPMENT - Net</b>	5,619,452	5,972,167
<b>CHARITABLE REMAINDER TRUST ASSETS</b>	<u>831,692</u>	<u>753,794</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,939,033</u>	<u>\$ 16,807,562</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 159,824	\$ 162,517
Accrued and other liabilities	601,759	455,058
Deferred revenue	855,318	462,077
Current portion of Payroll Protection Program loan	92,076	
Line of credit		500,000
Total current liabilities	<u>1,708,977</u>	<u>1,579,652</u>
<b>PAYROLL PROTECTION PROGRAM LOAN, Net</b>	<u>593,959</u>	<u>932,397</u>
Total liabilities	<u>2,302,936</u>	<u>2,512,049</u>
<b>NET ASSETS:</b>		
Without donor restrictions	14,733,361	8,617,794
With donor restrictions	5,902,736	5,677,719
Total net assets	<u>20,636,097</u>	<u>14,295,513</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 22,939,033</u>	<u>\$ 16,807,562</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>REVENUES AND SUPPORT:</b>		
Program revenues:		
Gate admissions	\$ 6,195,728	\$ 2,603,448
Memberships	1,380,396	1,156,976
Concessions	1,010,504	393,773
Visitor services and group sales	872,609	164,879
City of Sacramento	330,915	322,578
Education	86,761	40,023
Total program revenues	9,876,913	4,681,677
Other support:		
Contributions, grants and sponsorships	2,141,718	1,657,858
Forgiveness of Payroll Protection Program loan	932,397	
Special events - net of costs of \$7,053 and \$33,260 in 2021 and 2020, respectively	162,591	1,718
Rent and other revenues	150,842	20,074
Satisfaction of restrictions - operations	158,700	24,626
Total other support	3,546,248	1,704,276
Total revenues and support	13,423,161	6,385,953
<b>OPERATING EXPENSES:</b>		
Program services:		
Animal care	3,750,706	3,211,394
Visitor services	1,086,610	879,148
Membership	612,584	369,536
Education	547,218	641,884
Promotions and public relations	276,484	318,804
Total program services	6,273,602	5,420,766
Supporting services:		
General and administrative	991,004	630,224
Fundraising	197,722	240,709
Total supporting services	1,188,726	870,933
Total operating expenses	7,462,328	6,291,699
<b>NET INCOME FROM OPERATIONS</b>	<b>5,960,833</b>	<b>94,254</b>

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, 2021 AND 2020

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	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>(CONTINUED):</b>		
Investment income	\$ 413,389	\$ 187,416
Bequests	102,599	11,000
Satisfaction of restrictions - capital projects	97,481	178,064
Depreciation and amortization expense	<u>(458,735)</u>	<u>(474,728)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>6,115,567</u>	<u>(3,994)</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions, grants and sponsorships	114,937	140,800
Change in value of charitable remainder trust assets	77,898	58,523
Investment income	288,363	325,878
Satisfaction of restrictions - operations	(158,700)	(24,626)
Satisfaction of restrictions - capital projects	<u>(97,481)</u>	<u>(178,064)</u>
<b>INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>225,017</u>	<u>322,511</u>
<b>INCREASE IN NET ASSETS</b>	6,340,584	318,517
<b>NET ASSETS, Beginning of Year</b>	<u>14,295,513</u>	<u>13,976,996</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 20,636,097</u>	<u>\$ 14,295,513</u>

# SACRAMENTO ZOOLOGICAL SOCIETY

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	<u>Program services</u>					<u>Supporting services</u>		<u>Total</u>
	<u>Animal care</u>	<u>Visitor services</u>	<u>Membership</u>	<u>Education</u>	<u>Promotions and public relations</u>	<u>Administration</u>	<u>Development</u>	
Personnel costs	\$ 2,173,525	\$ 476,639	\$ 484,700	\$ 494,232	\$ 205,504	\$ 651,619	\$ 136,932	\$ 4,623,151
Facilities, repairs & maintenance	749,754	52,345	1,143	16,298		24,513		844,053
Professional fees	216,539	131,136				118,942	16,871	483,488
Animal supplies & veterinary services	359,603			1,365				360,968
Bank charges	1	283,378				74,076		357,455
Staff development & travel	3,825	80,356	86,486	395	2,653	5,614	4,965	184,294
Information technology	6,966	39,500	33,337	10,875	23,399	32,155	11,269	157,501
Insurance	88,718					29,664		118,382
Conservation contributions	104,610							104,610
Advertising, promotion & public relations	1,910	12,475	2,123	3,655	43,342	583	25,509	89,597
Dues & subscriptions	12,575	814		190		30,553	24	44,156
Office expenses	19,770	6,429	4,150	1,624	1,470	7,666	1,911	43,020
Education materials			82	18,394	7			18,483
Other	12,910	3,538	563	190	109	15,619	241	33,170
<b>Total expenses</b>	<b><u>\$ 3,750,706</u></b>	<b><u>\$ 1,086,610</u></b>	<b><u>\$ 612,584</u></b>	<b><u>\$ 547,218</u></b>	<b><u>\$ 276,484</u></b>	<b><u>\$ 991,004</u></b>	<b><u>\$ 197,722</u></b>	<b><u>\$ 7,462,328</u></b>

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

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

# SACRAMENTO ZOOLOGICAL SOCIETY

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 6,340,584	\$ 318,517
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization expense	458,735	474,728
Realized and unrealized gain on investments	(506,630)	(347,292)
Gain on forgiveness of Payroll Protection Program loan	(932,397)	
Changes in:		
Accounts receivable	(11,676)	10,462
Prepaid expenses and other current assets	(61,843)	19,711
Charitable remainder trust assets	(77,898)	(58,523)
Accounts payable	(2,693)	(72,668)
Accrued and other liabilities	146,701	44,029
Deferred revenue	393,241	(178,261)
Net cash provided by operating activities	<u>5,746,124</u>	<u>210,703</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(2,973,187)	(1,792,486)
Proceeds from sale of investments	2,805,074	1,215,006
Purchases of property and equipment	(106,020)	(134,663)
Net cash used by investing activities	<u>(274,133)</u>	<u>(712,143)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of line of credit	(500,000)	
Proceeds from line of credit		500,000
Proceeds from Payroll Protection Program loan	686,035	932,397
Net cash provided by financing activities	<u>186,035</u>	<u>1,432,397</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,658,026</b>	<b>930,957</b>
 <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>3,293,175</u>	<u>2,362,218</u>
 <b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 8,951,201</u>	<u>\$ 3,293,175</u>

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

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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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 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.

Revenues from governmental grants that are 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.

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,

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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.

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. Generally, payment is due from members when they initiate or renew their annual membership.

For the year ended December 31, 2021 and 2020, revenue recognized for goods transferred at a point in time totaled \$8,387,951 and \$3,229,242, respectively. For the year ended December 31, 2021 and 2020, revenue recognized for services transferred over time totaled \$1,471,480 and \$1,151,649, respectively.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 61,315	\$ 49,639	\$ 60,101
Contract liabilities:			
Deferred revenue	\$ 855,318	\$ 462,077	\$ 640,338

**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 \$8,277,261 and \$2,690,796 as of December 31, 2021 and 2020, respectively. The Society has not experienced any losses in such accounts and management believes the Society is not exposed to any significant credit risk related to cash.

**Property and equipment** is stated at cost. The Society capitalizes all expenditures for property and equipment with a cost of \$5,000 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, 2021 and 2020. 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, 2021 AND 2020

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**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 May 20, 2022 the date the financial statements were available to be issued. Refer to Note 9.

**Reclassification** – Certain 2020 amounts have been reclassified to conform to the 2021 financial statement presentation.

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,951,201	\$ 3,293,175
Investments	7,346,720	6,671,977
Accounts receivable	<u>61,315</u>	<u>49,639</u>
Total financial assets available within one year	16,359,236	10,014,791
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time or purpose restrictions	(5,902,736)	(5,677,719)
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>\$ 10,309,430</u>	<u>\$ 4,190,002</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>2021</u>	<u>2020</u>
Park improvements	\$ 9,765,092	\$ 9,632,223
Zoo operations equipment	1,628,993	1,628,993
Education trailers	397,896	397,896
Equipment	233,378	233,378
Art work	53,416	53,416
Construction in progress		26,849
Total	<u>12,078,775</u>	<u>11,972,755</u>
Less accumulated depreciation and amortization	<u>(6,459,323)</u>	<u>(6,000,588)</u>
Property and equipment, net	<u>\$ 5,619,452</u>	<u>\$ 5,972,167</u>

Management estimates that approximately 94% of depreciation and amortization expense relates to program services and 6% to supporting services for both 2021 and 2020.

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 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>2021</u>	<u>2020</u>
Beginning balance	\$ 753,794	\$ 695,271
Change in value of charitable remainder trust assets	<u>77,898</u>	<u>58,523</u>
Ending balance	<u>\$ 831,692</u>	<u>\$ 753,794</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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,250,692	\$ 1,089,921
Mutual funds:		
Domestic equity	3,473,957	2,108,383
Foreign equity	1,468,530	1,646,798
Fixed income funds	676,417	1,340,864
Real estate funds	94,956	83,890
Other	<u>382,168</u>	<u>402,121</u>
Total	<u>\$ 7,346,720</u>	<u>\$ 6,671,977</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 \$330,915 and \$322,578 to the Society during 2021 and 2020, 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 \$7,080 and \$24,307 at December 31, 2021 and 2020, respectively, and is included in accounts receivable on the statements of financial position.

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 \$91,084 and \$20,023 for 2021 and 2020, 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, 2021 and 2020, respectively). The line of credit expires on August 5, 2022. The balance as of December 31, 2021 and 2020 was \$0 and \$500,000, respectively.

### 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. Under the CARES Act, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying expenditures and certain other criteria regarding full-time equivalent employee and payroll levels are maintained. The PPP requires the portion of the loan that does not qualify for forgiveness or that is retained as a loan, to be repaid within 5 years at 1% interest.

The Society received notification that its application for loan forgiveness was approved on July 2, 2021 and therefore, the principal amount of \$932,397 was recognized as contribution income the year ended December 31, 2021.

In February 2021, the Society received a second PPP loan totaling \$686,035 under the same terms and conditions per the CARES Act. The Society received notification that its application for loan forgiveness was approved on April 20, 2022.

### 10. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Board designated:		
Emergency repairs	\$ 77,603	\$ 77,603
Other projects	69,467	69,467
Undesignated	<u>14,586,291</u>	<u>8,470,724</u>
Total	<u>\$ 14,733,361</u>	<u>\$ 8,617,794</u>

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 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>2021</u>	<u>2020</u>
Purpose restrictions:		
Capital improvements, time restrictions	\$ 841,692	\$ 845,015
Four-legged mammals	501,491	367,977
Education	337,146	289,891
SSP & conservation funds	90,853	193,349
Miscellaneous	<u>302,127</u>	<u>294,198</u>
Total purpose restrictions	2,073,309	1,990,430
Perpetual restrictions:		
Endowments	<u>3,829,427</u>	<u>3,687,289</u>
Total	<u>\$ 5,902,736</u>	<u>\$ 5,677,719</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.

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

# SACRAMENTO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

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:

<b>Year ending December 31:</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Endowment net assets, beginning of year	\$ 3,687,289	\$ 3,506,861
Investment income	288,363	325,878
Allowable distributions	<u>(146,225)</u>	<u>(145,450)</u>
Endowment net assets, end of year	<u>\$ 3,829,427</u>	<u>\$ 3,687,289</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 2021 and 2020, 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 \$83,048 and \$32,946 during 2021 and 2020, respectively.

The Society has also established a deferred compensation plan under IRC Section 457(b). The 457(b) plan provides up to \$19,500 of deferred compensation per year, dependent on IRS limits, following completion of 2 years of service with the Society. For 2021 and 2020, the Society made contributions of 5% of eligible compensation. Such contributions totaled \$7,500 and \$7,500 for 2021 and 2020, 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 \$1,010,504 and \$393,773 for 2021 and 2020, respectively.