

**SAN FRANCISCO  
ZOOLOGICAL SOCIETY**

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

**YEARS ENDED JUNE 30, 2007 AND 2006**



**Gilbert Associates, Inc.**  
CPAs and Advisors

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statements of financial position of San Francisco Zoological Society (Society) as of June 30, 2007 and 2006, and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Society's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Zoological Society as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**October 1, 2007**

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 2,577,902	\$ 2,170,076
Current portion of contributions receivable	593,613	213,361
Bequests and other receivables	296,944	915,668
Prepaid expenses	<u>150,676</u>	<u>256,369</u>
Total current assets	3,619,135	3,555,474
<b>CONTRIBUTIONS RECEIVABLE, Net</b>	335,100	689,283
<b>CHARITABLE REMAINDER TRUST ASSETS</b>	970,886	170,144
<b>INVESTMENTS</b>	6,940,558	6,423,095
<b>PROPERTY AND EQUIPMENT, Net</b>	<u>474,056</u>	<u>517,815</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,339,735</u>	<u>\$ 11,355,811</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,663,439	\$ 1,318,506
Due to the City and County of San Francisco	507,118	458,137
Accrued expenses	916,278	857,326
Deferred revenue	901,813	899,700
Current portion of capital lease obligations	38,108	35,457
Current portion of liability to beneficiary	<u>73,270</u>	<u>                    </u>
Total current liabilities	4,100,026	3,569,126
<b>CAPITAL LEASE OBLIGATIONS, Net</b>	30,694	69,216
<b>LIABILITY TO BENEFICIARY, Net</b>	<u>389,015</u>	<u>                    </u>
Total liabilities	<u>4,519,735</u>	<u>3,638,342</u>
<b>NET ASSETS:</b>		
Unrestricted	2,488,035	1,432,344
Temporarily restricted	1,226,571	2,180,731
Permanently restricted	<u>4,105,394</u>	<u>4,104,394</u>
Total net assets	<u>7,820,000</u>	<u>7,717,469</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,339,735</u>	<u>\$ 11,355,811</u>

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

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## STATEMENTS OF ACTIVITIES (Page 1 of 2) YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>REVENUES AND SUPPORT:</b>		
Program revenues:		
Admissions	\$ 4,491,394	\$ 3,708,876
Membership dues	2,200,326	1,993,412
Retail commissions	1,371,345	1,131,361
Retail sales, rides and rentals	1,062,477	942,304
Fundraising and ticketed events (net of direct benefit to donors of \$139,516 in 2007 and \$130,458 in 2006)	833,691	937,754
Education	721,687	634,191
Parking	620,445	533,139
Children's Zoo	<u>70,528</u>	<u>55,929</u>
Total program revenue	<u>11,371,893</u>	<u>9,936,966</u>
Other support:		
Management fee	4,120,000	4,120,000
Contributions and bequests	3,461,592	2,790,616
Investment income	629,497	385,021
Other income	108,579	109,323
Satisfaction of restriction, operations	<u>285,187</u>	<u>157,506</u>
Total revenues and support	<u>19,976,748</u>	<u>17,499,432</u>
 <b>OPERATING EXPENSES:</b>		
Program services:		
Animals, collections and exhibits	9,221,881	8,522,242
Children's Zoo	1,126,253	1,166,616
Membership services	1,087,147	903,105
Education	891,459	945,456
Retail operations	938,650	814,963
Admissions and other program expenses	<u>780,761</u>	<u>710,396</u>
Total program services	<u>14,046,151</u>	<u>13,062,778</u>
Supporting services:		
General and administrative	1,797,841	1,322,258
Fundraising	1,281,717	1,051,645
Marketing	<u>1,373,362</u>	<u>1,043,994</u>
Total supporting services	<u>4,452,920</u>	<u>3,417,897</u>
Total operating expenses	<u>18,499,071</u>	<u>16,480,675</u>
 <b>INCOME FROM OPERATIONS</b>	 1,477,677	 1,018,757

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

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>UNRESTRICTED NET ASSETS (CONTINUED):</b>		
Depreciation expense	(203,515)	(198,189)
Capital expenditures to be gifted to the City and County of San Francisco	(4,030,829)	(392,896)
Other capital expenditures	(161,371)	(24,224)
Satisfaction of restrictions, capital	<u>3,973,729</u>	<u>448,143</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>1,055,691</u>	<u>851,591</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	3,129,080	1,570,199
Investment income	126,832	56,869
Change in value of charitable remainder trust assets	48,844	8,157
Donor revision of restrictions	-	(1,000,000)
Satisfaction of restrictions, operations	(285,187)	(157,506)
Satisfaction of restrictions, capital	<u>(3,973,729)</u>	<u>(448,143)</u>
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(954,160)</u>	<u>29,576</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>		
Contributions	1,000	224,112
Donor revision of restrictions	-	<u>1,000,000</u>
<b>INCREASE IN PERMANENTLY RESTRICTED NET ASSETS</b>	<u>1,000</u>	<u>1,224,112</u>
<b>INCREASE IN NET ASSETS</b>	102,531	2,105,279
<b>NET ASSETS, Beginning of Year</b>	<u>7,717,469</u>	<u>5,612,190</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 7,820,000</u>	<u>\$ 7,717,469</u>

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

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 102,531	\$ 2,105,279
Reconciliation to net cash and equivalents provided by operating activities:		
Depreciation and amortization	203,515	198,189
Net realized and unrealized gain on investments	(437,736)	(270,945)
Permanently restricted contributions	(1,000)	(224,112)
Donated property and equipment		(26,230)
Changes in:		
Bequests and other receivables	618,724	(515,777)
Prepaid expenses	105,693	(35,934)
Contributions receivable	(26,069)	(36,062)
Charitable remainder trust assets	(800,742)	(8,157)
Accounts payable	344,933	60,540
Due to the City and County of San Francisco	48,981	44,925
Accrued expenses	58,952	190,501
Deferred revenue	2,113	57,163
Liability to beneficiary	462,285	
Net cash and equivalents provided by operating activities	<u>682,180</u>	<u>1,539,380</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(6,365,192)	(1,406,975)
Proceeds from sale of investments	6,285,465	195,000
Purchases of property and equipment	<u>(159,756)</u>	<u>(35,375)</u>
Net cash and equivalents used by investing activities	<u>(239,483)</u>	<u>(1,247,350)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Permanently restricted contributions	1,000	224,112
Repayment of capital lease obligations	(35,871)	(35,859)
Repayment of line of credit		<u>(1,200,000)</u>
Net cash and equivalents used by financing activities	<u>(34,871)</u>	<u>(1,011,747)</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	407,826	(719,717)
<b>CASH AND EQUIVALENTS, Beginning of Year</b>	<u>2,170,076</u>	<u>2,889,793</u>
<b>CASH AND EQUIVALENTS, End of Year</b>	<u>\$ 2,577,902</u>	<u>\$ 2,170,076</u>
<b>SUPPLEMENTAL ACTIVITY:</b>		
Cash paid for interest	<u>\$ 9,186</u>	<u>\$ 61,196</u>

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

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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### 1. ORGANIZATION AND OPERATIONS

The San Francisco Zoological Society (Society) is a nonprofit public benefit corporation organized in 1954 for charitable, scientific and educational purposes for the study and promotion of zoology and wildlife conservation and for the education and recreation of the public.

The Society currently provides a wide range of services for the City and County of San Francisco (City) at the San Francisco Zoological Gardens (Zoo). The Society and the City have negotiated a management agreement, which incorporates animal care, management of all facilities, operations, community support and public services.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The financial statements are presented in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, 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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. 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 statement of activities as satisfaction of restrictions, when the time restrictions expire or the contributions are used for the restricted purposes. 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 fund.

Education and special event revenue is recognized when the related event occurs. Membership revenue is recognized over the term of the membership, typically one year.

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 under SFAS No. 116 are not reflected in the financial statements.

**Cash and equivalents** – For financial statement purposes, the Society considers all investments with a maturity at purchase of three months or less to be cash equivalents.

**Investments** are stated at fair value.

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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**Charitable remainder trust assets** include the estimated fair value of irrevocable charitable trusts in which the Society is both the trustee and secondary beneficiary, as well as the estimated net present value of the Society's remainder interest in irrevocable trusts for which the Society is the secondary beneficiary. The net present values of the assets wherein the Society is not the trustee are determined using investment returns consistent with the composition of the asset portfolios, life expectancies, and the discount rates of 5.6% and 6% at June 30, 2007 and 2006, respectively. Irrevocable charitable trusts whose use is limited by the Society due to time or donor-imposed restrictions increase temporarily restricted net assets.

**Liability to beneficiary** represents the present value of the liability due to the primary beneficiary of the irrevocable charitable remainder trusts for which the Society is both trustee and secondary beneficiary. On an annual basis, the Society reviews the need to revalue the liability to make distributions to the designated beneficiary based upon actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 5.6% at June 30, 2007, and applicable mortality tables.

**Property and equipment** are recorded at cost and depreciated using the straight-line method over estimated useful lives of 3 to 39 years. The Society's policy is to capitalize such items with a cost of \$1,500 or more.

Pursuant to the management agreement with the City of San Francisco (Note 13), property and equipment of the Society consists of furniture, furnishings and articles of movable personal property installed in the Zoo by or for the account of the Society, without expense to the City, and which can be removed without structural or other material damage to the Zoo. The City retains title to all real property and all appurtenances, fixtures, improvements, equipment, additions and other property attached to or installed in the Zoo. Capital expenditures by the Society for property and equipment for which the Society does not retain title are expensed when incurred and are donated to the City as a gift upon completion. Capital expenditures gifted to the City amounted to \$4,030,829 and \$392,896 for the years ended June 30, 2007 and 2006, respectively.

**Functional expenses** – The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. Certain costs have been allocated to program services based on estimates of employees' time incurred and 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.

**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.

**Reclassifications** – Certain 2006 amounts have been reclassified to conform with the 2007 financial statement presentation.



# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### 3. CONTRIBUTIONS RECEIVABLE

The Society recognizes contributions receivable at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of pledges receivable was 5.6% and 6.0% at June 30, 2007 and 2006. Contributions receivable consist of the following:

	<u>2007</u>	<u>2006</u>
Gross contributions receivable	\$ 941,756	\$ 915,687
Less: Unamortized discount	<u>(13,043)</u>	<u>(13,043)</u>
Contributions receivable, net	<u>\$ 928,713</u>	<u>\$ 902,644</u>

Contributions receivable are due to be collected as follows:

Within one year	\$ 593,613	\$ 213,361
In one to four years	<u>335,100</u>	<u>689,283</u>
Contributions receivable, net	<u>\$ 928,713</u>	<u>\$ 902,644</u>

### 4. CHARITABLE REMAINDER TRUST ASSETS

Charitable remainder trust assets consist of the following:

	<u>2007</u>	<u>2006</u>
Assets held in charitable remainder trusts in which the Society is both trustee and secondary beneficiary	\$ 767,520	
Charitable remainder interests receivable from third parties	<u>203,366</u>	\$ <u>170,144</u>
Total	<u>\$ 970,886</u>	<u>\$ 170,144</u>

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### 5. INVESTMENTS

Investments consist of the following:

	<u>2007</u>	<u>2006</u>
Mutual funds invested in equity securities	\$ 2,730,101	\$ 954,617
Money market accounts	1,092,081	1,330,549
Government bonds	1,044,768	1,432,613
Common stock	945,972	1,601,835
Corporate bonds	694,710	1,084,041
Other equity securities	<u>432,926</u>	<u>19,440</u>
Total investments	<u>\$ 6,940,558</u>	<u>\$ 6,423,095</u>

Investment income consists of the following:

Interest and dividends	\$ 318,593	\$ 170,945
Net realized and unrealized gains	<u>437,736</u>	<u>270,945</u>
Total investment income	<u>\$ 756,329</u>	<u>\$ 441,890</u>

### 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Machinery and equipment	\$ 844,172	\$ 747,246
Furniture and fixtures	366,041	325,815
Software	222,143	199,538
Other	<u>62,403</u>	<u>62,403</u>
Total	1,494,759	1,335,002
Less accumulated depreciation and amortization	<u>(1,020,703)</u>	<u>(817,187)</u>
Total	<u>\$ 474,056</u>	<u>\$ 517,815</u>

Management estimates that approximately 67% and 57% of depreciation expense relates to program services and 33% and 43% to supporting services for the years ended June 30, 2007 and 2006, respectively.

Machinery and equipment includes assets acquired under capital leases in the amount of \$179,293 for both years, with accumulated amortization of \$58,182 and \$40,253, as of June 30, 2007 and 2006, respectively.

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### 7. DONATED MATERIALS AND SERVICES

The Society received donated materials and services, which were used for the following activities:

	<u>2007</u>	<u>2006</u>
Legal services	\$ 196,074	\$ 68,456
Advertising materials and services	157,000	214,000
Architectural and construction materials and services	92,549	
Auction items and catering services	8,803	112,600
Other	<u>                    </u>	<u>40,642</u>
Total donated materials and services	<u>\$ 454,426</u>	<u>\$ 435,698</u>

### 8. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Charitable remainder trust assets – time restricted	\$ 508,601	\$ 513,189
Parrot/lorikeet research	508,189	170,144
Conservation	38,984	21,822
Capital program		1,402,739
National Geographic fund		18,000
Other projects	<u>170,797</u>	<u>54,837</u>
Total	<u>\$ 1,226,571</u>	<u>\$ 2,180,731</u>

Permanently restricted net assets are invested in perpetuity and consist of the following:

General operations	\$ 2,516,282	\$ 2,516,282
Conservation	1,000,000	1,000,000
Education	472,212	472,212
Other projects	<u>116,900</u>	<u>115,900</u>
Total	<u>\$ 4,105,394</u>	<u>\$ 4,104,394</u>

Investment proceeds from permanently restricted endowments are used by the Society based upon the donor restrictions identified above.

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### 9. LINE OF CREDIT

The Society has an unsecured \$4,000,000 revolving line of credit with a bank to finance capital expenditures and seasonal operations. The line is payable in monthly installments of interest only equal to the bank's prime rate less 0.5% at the time of borrowing or LIBOR plus 1.25%. The line expires on February 2, 2010. Interest expense totaled \$0 and \$50,011 for the years ended June 30, 2007 and 2006, respectively. At June 30, 2007 and 2006, the Society did not have an outstanding balance on this line of credit.

### 10. LEASE OBLIGATIONS

The Society leases certain office equipment and vehicles under capital and operating lease agreements, which expire at various dates through 2011. Rent expense for the years ended June 30, 2007 and 2006, totaled \$112,503 and \$130,580, respectively. Future minimum lease payments are as follows:

Year ending June 30:	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2008	\$ 39,149	\$ 78,492	\$ 117,641
2009	35,632	78,492	114,124
2010	184	39,058	39,242
2011	<u>          </u>	<u>5,824</u>	<u>5,824</u>
Total	74,965	<u>\$ 201,866</u>	<u>\$ 276,831</u>
Less amounts representing interest	<u>(6,163)</u>		
Capital lease obligation	<u>\$ 68,802</u>		

### 11. JOINT FUNDRAISING AND EDUCATIONAL ACTIVITIES

The Society incurred joint costs for newsletters that included both fundraising appeals and educational messages. Educational messages are included in program services. In accordance with Statement of Position (SOP) 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund-Raising*, joint costs were allocated as follows:

	<u>2007</u>	<u>2006</u>
Program services	\$ 94,429	\$ 102,370
Support services	<u>13,490</u>	<u>14,624</u>
Total	<u>\$ 107,919</u>	<u>\$ 116,994</u>

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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### 12. PENSION PLAN

The Society has a defined contribution plan covering all full-time employees not covered by a collective bargaining agreement. The plan calls for contributions of five percent of covered salaries and is funded by the purchase of insurance annuity contracts. Total plan costs were \$126,719 and \$104,818 in June 30, 2007 and 2006, respectively.

### 13. CITY AND COUNTY OF SAN FRANCISCO

**San Francisco Zoo management agreement** – The Society has negotiated a management agreement (Agreement) with the City and County of San Francisco, Recreation and Park Commission (City) which was effective on October 9, 1993, and was approved by the Board of Supervisors on September 7, 1993.

The Agreement originally expired on June 30, 1998, and provides for additional automatic extensions for successive periods of five years, not to exceed ninety-nine years. Generally, under the Agreement, the Society receives an annual management fee from the City plus all admission fees, and in turn, is responsible for all operating and maintenance expenses incurred in the operation of the Zoo. Operating and maintenance expenses include, but are not limited to, a reimbursement to the City for civil service personnel costs, utilities and other miscellaneous services.

The management fee under the contract's current extension period is \$4,120,000 per year and will be adjusted upon each subsequent extension based upon the terms in the Agreement.

Operating expenses incurred by the City and paid by the Society as of June 30, 2007 and 2006, were \$2,367,452 and \$2,069,937, respectively.

Amounts due to the City and County of San Francisco consist of the following:

	<u>2007</u>	<u>2006</u>
Payroll	\$ 204,235	\$ 254,897
Utilities	<u>302,883</u>	<u>203,240</u>
Total	<u>\$ 507,118</u>	<u>\$ 458,137</u>

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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**Animal purchase and exchange fund** – In accordance with the Agreement, all amounts held by the City in the animal purchase and exchange fund, which was established pursuant to Section 10.187 of the City's Administrative Code, are appropriated to the Society for the purpose of animal purchases at the Zoo annually. In addition, all proceeds from sale or other disposition of animals are deposited into the City's animal purchase and exchange fund or other segregated fund established by the Society. All funds transferred by the City and animal sales proceeds held in the segregated fund established by the Society are to be held in trust by the Society for the benefit of the City, and are restricted to animal purchases. For the year ended June 30, 2007, no funds were transferred by the City to the Society. Purchases of animals in excess of the balance in this fund are paid for and expensed by the Society. Total purchases amounted to \$6,414 and \$6,420 for the years ended June 30, 2007 and 2006, respectively. The balance in the animal purchase and exchange fund was \$6,026 and \$0 at 2007 and 2006, respectively.

**General obligation bonds** – A general obligation bond measure that will fund \$48 million towards Zoo improvements, passed in June 1997. Series 1999C Bonds were issued in June 1999, Series 2000B Bonds were issued in June of 2000, Series 2002A Bonds were issued in September of 2002 and Series 2005H Bonds were issued in June 2005. All bonds mature twenty years from issuance.

Proceeds from these bonds are available for, but are not limited to, funding the acquisition, construction and/or reconstruction of San Francisco Zoo facilities and properties and all other works, property and structures necessary or convenient for these purposes, and to pay for certain costs related to the issuance of the Series 1999C, Series 2000B, Series 2002A, and Series 2005H.

The City and County of San Francisco are responsible for the issuance, the use of the proceeds and the repayment of these bonds for the benefit of the San Francisco Zoo.

#### 14. **FOOD, BEVERAGE AND CONCESSIONS AGREEMENT**

The Society has a concessions agreement with Service Systems Associates, Inc. (SSA) to provide for the operation of food, beverage, gift shop and rental concession at the Zoo. SSA has agreed to pay the Society certain percentages of gross receipts based on the various types of concession sales. Retail concession revenues paid to the Zoo totaled \$1,371,345 and \$1,131,361 for the years ended June 30, 2007 and 2006, respectively.

# SAN FRANCISCO ZOOLOGICAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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### 15. COMMITMENTS AND CONTINGENCIES

The Society contracted with a project management company to manage all phases of its capital projects as part of the Campaign of a New Zoo. Because the pace of construction was exceeding the collection of contributions to the capital campaign, the project manager had previously agreed to defer the payment due date of certain 2002 invoices and later issued a demand letter for payment of over \$605,000. The Society had accrued \$594,937 plus interest of \$114,121 at June 30, 2006, related to the liability. This dispute was settled during 2007.

In the ordinary course of conducting business, there may be certain claims, suits and complaints filed against the Society. In the opinion of management, outcome of such matters, if any, will not have a material impact on the Society's financial position or changes in net assets.

### 16. CONCENTRATIONS OF CASH

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.