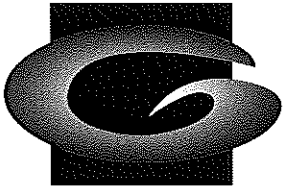


**SAN FRANCISCO
ZOOLOGICAL SOCIETY**

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

**YEARS ENDED
JUNE 30, 2008 AND 2007**



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, 2008 and 2007, 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, 2008 and 2007, 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.
Sacramento, California

January 27, 2009

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and equivalents	\$ 1,102,843	\$ 2,577,902
Current portion of contributions receivable	380,167	593,613
Bequests and other receivables	191,047	296,944
Prepaid expenses	<u>211,837</u>	<u>150,676</u>
Total current assets	1,885,894	3,619,135
CONTRIBUTIONS RECEIVABLE, Net	131,748	335,100
CHARITABLE REMAINDER TRUST ASSETS	934,993	970,886
INVESTMENTS	6,552,031	6,940,558
PROPERTY AND EQUIPMENT, Net	<u>399,160</u>	<u>474,056</u>
TOTAL ASSETS	<u>\$ 9,903,826</u>	<u>\$ 12,339,735</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 906,798	\$ 1,663,439
Due to the City and County of San Francisco	825,454	507,118
Accrued expenses	740,544	916,278
Deferred revenue	877,102	901,813
Capital lease obligations	35,932	38,108
Current portion of liability to beneficiary	<u>73,270</u>	<u>73,270</u>
Total current liabilities	3,459,100	4,100,026
CAPITAL LEASE OBLIGATIONS, Net		30,694
LINE OF CREDIT	700,000	
LIABILITY TO BENEFICIARY, Net	<u>389,013</u>	<u>389,015</u>
Total liabilities	<u>4,548,113</u>	<u>4,519,735</u>
NET ASSETS:		
Unrestricted	(283,396)	2,488,035
Temporarily restricted	1,533,215	1,226,571
Permanently restricted	<u>4,105,894</u>	<u>4,105,394</u>
Total net assets	<u>5,355,713</u>	<u>7,820,000</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,903,826</u>	<u>\$ 12,339,735</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS:		
REVENUES AND SUPPORT:		
Program revenues:		
Admissions	\$ 4,175,087	\$ 4,491,394
Membership dues	1,750,293	2,200,326
Retail commissions	1,321,954	1,371,345
Retail sales, rides and rentals	1,065,858	1,062,477
Fundraising and ticketed events (net of direct benefit to donors of \$365,154 in 2008 and \$139,516 in 2007)	886,552	833,691
Parking	657,335	620,445
Education	647,796	721,687
Children's Zoo	57,805	70,528
Total program revenue	<u>10,562,680</u>	<u>11,371,893</u>
Other support:		
Management fee	4,120,000	4,120,000
Contributions and bequests	3,228,340	3,461,592
Investment income (loss)	(152,641)	629,497
Other income	203,736	108,579
Satisfaction of restriction, operations	333,733	285,187
Total revenues and support	<u>18,295,848</u>	<u>19,976,748</u>
OPERATING EXPENSES:		
Program services:		
Animals, collections and exhibits	10,373,560	9,221,881
Children's Zoo	1,147,222	1,126,253
Membership services	1,096,171	1,087,147
Retail operations	1,078,771	938,650
Education	962,989	891,459
Admissions and other program expenses	783,294	780,761
Total program services	<u>15,442,007</u>	<u>14,046,151</u>
Supporting services:		
General and administrative	2,563,394	1,797,841
Marketing	1,380,255	1,373,362
Fundraising	1,312,377	1,281,717
Total supporting services	<u>5,256,026</u>	<u>4,452,920</u>
Total operating expenses	<u>20,698,033</u>	<u>18,499,071</u>
INCOME (LOSS) FROM OPERATIONS	(2,402,185)	1,477,677

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS (CONTINUED):		
Depreciation expense	\$ (180,326)	\$ (203,515)
Capital expenditures to be gifted to the City and County of San Francisco	(396,224)	(4,030,829)
Other capital expenditures	(68,917)	(161,371)
Satisfaction of restrictions, capital	<u>276,221</u>	<u>3,973,729</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(2,771,431)</u>	<u>1,055,691</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	915,530	3,129,080
Investment income	36,959	126,832
Change in value of charitable remainder trust assets	(35,891)	48,844
Satisfaction of restrictions, operations	(333,733)	(285,187)
Satisfaction of restrictions, capital	<u>(276,221)</u>	<u>(3,973,729)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>306,644</u>	<u>(954,160)</u>
PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	<u>500</u>	<u>1,000</u>
INCREASE (DECREASE) IN NET ASSETS	(2,464,287)	102,531
NET ASSETS, Beginning of Year	<u>7,820,000</u>	<u>7,717,469</u>
NET ASSETS, End of Year	<u>\$ 5,355,713</u>	<u>\$ 7,820,000</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (2,464,287)	\$ 102,531
Reconciliation to net cash and equivalents provided (used) by operating activities:		
Depreciation and amortization	180,326	203,515
Net realized and unrealized (gain) loss on investments	482,628	(437,736)
Permanently restricted contributions	(500)	(1,000)
Donated property and equipment	(21,672)	
Changes in:		
Bequests and other receivables	105,897	618,724
Prepaid expenses	(61,161)	105,693
Contributions receivable	416,798	(26,069)
Charitable remainder trust assets	35,893	(800,742)
Accounts payable	(756,641)	344,933
Due to the City and County of San Francisco	318,336	48,981
Accrued expenses	(175,734)	58,952
Deferred revenue	(24,711)	2,113
Liability to beneficiary	(2)	462,285
Net cash and equivalents provided (used) by operating activities	<u>(1,964,830)</u>	<u>682,180</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,505,718)	(6,365,192)
Proceeds from sale of investments	2,411,617	6,285,465
Purchases of property and equipment	<u>(83,758)</u>	<u>(159,756)</u>
Net cash and equivalents used by investing activities	<u>(177,859)</u>	<u>(239,483)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	500	1,000
Repayment of capital lease obligations	(32,870)	(35,871)
Proceeds from line of credit	<u>700,000</u>	<u> </u>
Net cash and equivalents provided (used) by financing activities	<u>667,630</u>	<u>(34,871)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(1,475,059)	407,826
CASH AND EQUIVALENTS, Beginning of Year	<u>2,577,902</u>	<u>2,170,076</u>
CASH AND EQUIVALENTS, End of Year	<u>\$ 1,102,843</u>	<u>\$ 2,577,902</u>
SUPPLEMENTAL ACTIVITY:		
Cash paid for interest	<u>\$ 15,226</u>	<u>\$ 9,186</u>

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

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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, 2008 AND 2007

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 3.8% and 5.6% at June 30, 2008 and 2007, 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 trust 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% 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 \$396,224 and \$4,030,829 for the years ended June 30, 2008 and 2007, 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.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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 3.8% and 5.6% at June 30, 2008 and 2007. Contributions receivable consist of the following:

	<u>2008</u>	<u>2007</u>
Gross contributions receivable	\$ 524,958	\$ 941,756
Less: Unamortized discount	<u>(13,043)</u>	<u>(13,043)</u>
Contributions receivable, net	<u>\$ 511,915</u>	<u>\$ 928,713</u>

Contributions receivable are due to be collected as follows:

Within one year	\$ 380,167	\$ 593,613
In one to five years	<u>131,748</u>	<u>335,100</u>
Contributions receivable, net	<u>\$ 511,915</u>	<u>\$ 928,713</u>

4. CHARITABLE REMAINDER TRUST ASSETS

Charitable remainder trust assets consist of the following:

	<u>2008</u>	<u>2007</u>
Assets held in charitable remainder trust in which the Society is both trustee and secondary beneficiary	\$ 722,802	\$ 767,520
Charitable remainder interests receivable from third parties	<u>212,191</u>	<u>203,366</u>
Total	<u>\$ 934,993</u>	<u>\$ 970,886</u>

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

5. INVESTMENTS

Investments consist of the following:

	<u>2008</u>	<u>2007</u>
Mutual funds invested in equity securities and government obligations	\$ 4,685,534	\$ 2,730,101
Government bonds	656,110	1,044,768
Money market accounts	502,371	1,092,081
Real estate investment funds	232,022	
Common stock		945,972
Corporate bonds		694,710
Other investments	<u>475,994</u>	<u>432,926</u>
Total investments	<u>\$ 6,552,031</u>	<u>\$ 6,940,558</u>

Investment income consists of the following:

Interest and dividends	\$ 366,946	\$ 318,593
Net realized and unrealized gains (losses)	<u>(482,628)</u>	<u>437,736</u>
Total investment income	<u>\$ (115,682)</u>	<u>\$ 756,329</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Machinery and equipment	\$ 943,229	\$ 844,172
Furniture and fixtures	372,415	366,041
Software	222,142	222,143
Other	<u>62,403</u>	<u>62,403</u>
Total	1,600,189	1,494,759
Less accumulated depreciation and amortization	<u>(1,201,029)</u>	<u>(1,020,703)</u>
Total	<u>\$ 399,160</u>	<u>\$ 474,056</u>

Management estimates that approximately 60% and 67% of depreciation expense relates to program services and 40% and 33% to supporting services for the years ended June 30, 2008 and 2007, respectively.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

Machinery and equipment includes assets acquired under capital leases in the amount of \$179,293 for both years, with accumulated amortization of \$76,112 and \$58,182, as of June 30, 2008 and 2007, respectively.

7. DONATED MATERIALS AND SERVICES

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

	<u>2008</u>	<u>2007</u>
Legal services	\$ 486,856	\$ 196,074
Advertising materials and services	185,000	157,000
Auction items and catering services	171,564	8,803
Other	<u>44,477</u>	<u>92,549</u>
Total donated materials and services	<u>\$ 887,897</u>	<u>\$ 454,426</u>

8. NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Parrot/lorikeet research	\$ 511,177	\$ 508,189
Charitable remainder trust assets – time restricted	472,710	508,601
Conservation	108,982	38,984
Capital program	103,881	
Other projects	<u>336,465</u>	<u>170,797</u>
Total	<u>\$ 1,533,215</u>	<u>\$ 1,226,571</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	472,712	472,212
Other projects	<u>116,900</u>	<u>116,900</u>
Total	<u>\$ 4,105,894</u>	<u>\$ 4,105,394</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, 2008 AND 2007

9. LINE OF CREDIT

The Society has a \$3,000,000 revolving line of credit with a bank to finance capital expenditures and working capital, secured by \$1,000,000 of unrestricted net assets. The line is payable in monthly installments of interest only equal to the bank's prime rate plus 1.5% at the time of borrowing or LIBOR plus 1.5%. Contractually, the line expires on January 10, 2010, at which time unpaid principal is to be repaid in full. As of June 30, 2008 and 2007, outstanding line of credit was \$700,000 and \$0 and interest expense totaled \$11,686 and \$0, respectively.

At June 30, 2008, the Society failed to meet a loan covenant in the line of credit agreement causing the loan to be callable at the bank's discretion, however, the bank has waived their default rights with respect to this breach for the period ending June 30, 2008.

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, 2008 and 2007, totaled \$185,336 and \$112,503, respectively. Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2009	\$ 40,998	\$ 78,492	\$ 119,490
2010		39,058	39,058
2011		5,824	5,824
Total	40,998	<u>\$ 123,374</u>	<u>\$ 164,372</u>
Less amounts representing interest	<u>(5,066)</u>		
Capital lease obligation	<u>\$ 35,932</u>		

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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>2008</u>	<u>2007</u>
Program services	\$ 95,733	\$ 94,429
Support services	<u>14,757</u>	<u>13,490</u>
Total	<u>\$ 110,490</u>	<u>\$ 107,919</u>

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 \$145,976 and \$126,719 in June 30, 2008 and 2007, 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 (City), acting through its Recreation and Park Commission, which was approved by the Board of Supervisors on September 7, 1993 and effective on October 9, 1993.

The Agreement originally expired on June 30, 1998, and provides for additional automatic extensions for successive periods of five years, not to exceed ninety-nine years. The next automatic extension of the Agreement is in 2013. 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.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

Operating expenses incurred by the City and paid by the Society as of June 30, 2008 and 2007, were \$2,336,182 and \$2,367,452, respectively.

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

	<u>2008</u>	<u>2007</u>
Payroll	\$ 171,435	\$ 204,235
Utilities	<u>654,019</u>	<u>302,883</u>
Total	<u>\$ 825,454</u>	<u>\$ 507,118</u>

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 years ended June 30, 2008 and 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 \$3,596 and \$6,414 for the years ended June 30, 2008 and 2007, respectively. The balance in the annual purchase and exchange fund was \$2,963 and \$6,026 at 2008 and 2007, respectively.

General obligation bonds – A general obligation bond measure to fund \$48 million towards Zoo improvements, was 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 Bonds, Series 2000B Bonds, Series 2002A Bonds, and Series 2005H Bonds.

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.

SAN FRANCISCO ZOOLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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 concessions 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 \$1,321,954 and \$1,371,345 for the years ended June 30, 2008 and 2007, respectively.

15. COMMITMENTS AND CONTINGENCIES

In the course of conducting business, there may be certain claims, suits and complaints filed against the Society. In 2008, two claims were filed against the Society for matters that may extend beyond coverage provided by the Society's insurance. The Society intends to vigorously defend its position in these matters. The likelihood of an unfavorable outcome resulting from these matters cannot be reasonably determined, however, should the Society be unsuccessful in its defense, any related claim liability could have a material impact on the Society's financial statements.

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.