

**CONSERVATION SOCIETY OF
CALIFORNIA**

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

**YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Conservation Society of California
Oakland, California**

We have audited the accompanying financial statements of the Conservation Society of California (Society), which comprise the statements of financial position as of September 30, 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.

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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conservation Society of California as of September 30, 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.



GILBERT CPAs
Sacramento, California

March 28, 2022

CONSERVATION SOCIETY OF CALIFORNIA

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,603,743	\$ 11,616,047
Accounts and other receivables	178,339	93,229
Current portion of pledges receivable	27,871	278,643
Prepaid expenses and other	<u>329,592</u>	<u>176,176</u>
Total current assets	17,139,545	12,164,095
NON-CURRENT ASSETS:		
Pledges receivable, net	9,635	8,776
Investments	184,239	184,146
Charitable remainder trust asset	107,544	107,544
Property and equipment, net	<u>80,639,974</u>	<u>84,268,603</u>
TOTAL ASSETS	<u>\$ 98,080,937</u>	<u>\$ 96,733,164</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,413,746	\$ 1,043,828
Accrued liabilities	1,096,545	1,082,153
Current portion of Paycheck Protection Program loan	2,879,725	1,664,864
Deferred revenue and unearned rental income	<u>4,624,800</u>	<u>4,308,489</u>
Total current liabilities	10,014,816	8,099,334
PAYCHECK PROTECTION PROGRAM LOAN, Net	<u>1,862,375</u>	<u>1,077,236</u>
Total liabilities	<u>11,877,191</u>	<u>9,176,570</u>
NET ASSETS:		
Without donor restrictions	84,991,842	86,446,339
With donor restrictions	<u>1,211,904</u>	<u>1,110,255</u>
Total net assets	<u>86,203,746</u>	<u>87,556,594</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 98,080,937</u>	<u>\$ 96,733,164</u>

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

CONSERVATION SOCIETY OF CALIFORNIA

STATEMENTS OF ACTIVITIES (Page 1 of 2) YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Operating revenue	\$ 9,227,686	\$ 4,694,923
Membership revenue	4,151,022	4,439,616
Concessions	2,059,562	1,123,225
Special events	670,369	495,449
Education	265,299	202,327
Rental revenue	2,984	84,306
Total program revenue	<u>16,376,922</u>	<u>11,039,846</u>
Other support:		
Contributions	3,110,501	8,152,680
Government funding	1,979,372	1,942,314
Miscellaneous income	133,552	29,399
Satisfaction of restrictions - operations	504,411	433,160
Total other support	<u>5,727,836</u>	<u>10,557,553</u>
Total revenue and support	<u>22,104,758</u>	<u>21,597,399</u>
OPERATING EXPENSES:		
Program services:		
Operations	9,523,750	9,350,833
Animal management	7,141,602	6,617,233
Education	1,565,223	1,860,793
Concessions	579,847	584,343
Special events	357,737	404,256
Total program services	<u>19,168,159</u>	<u>18,817,458</u>
Supporting services:		
Administration	2,688,505	2,704,877
Marketing and public relations	1,073,153	930,416
Fund development	929,295	660,829
Capital campaign fundraising	34,401	54,819
Total supporting services	<u>4,725,354</u>	<u>4,350,941</u>
Total operating expenses	<u>23,893,513</u>	<u>23,168,399</u>
NET LOSS FROM OPERATIONS	(1,788,755)	(1,571,000)

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

CONSERVATION SOCIETY OF CALIFORNIA

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Donated materials and services revenue		\$ 5,000
Donated materials and services expense		(5,000)
Satisfaction of restrictions - capital projects	<u>\$ 334,258</u>	<u>201,823</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(1,454,497)</u>	<u>(1,369,177)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	943,672	911,690
Provision for doubtful pledges receivable	(3,354)	7,085
Satisfaction of restrictions - operations	(504,411)	(433,160)
Satisfaction of restrictions - capital projects	<u>(334,258)</u>	<u>(201,823)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>101,649</u>	<u>283,792</u>
DECREASE IN NET ASSETS	(1,352,848)	(1,085,385)
NET ASSETS, Beginning of Year	<u>87,556,594</u>	<u>88,641,979</u>
NET ASSETS, End of Year	<u>\$ 86,203,746</u>	<u>\$ 87,556,594</u>

CONSERVATION SOCIETY OF CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2021

	<u>Program services</u>					<u>Supporting services</u>				<u>Total</u>
	<u>Operations</u>	<u>Animal management</u>	<u>Education</u>	<u>Concessions</u>	<u>Special events</u>	<u>Administration</u>	<u>Marketing and public relations</u>	<u>Fund development</u>	<u>Capital campaign fundraising</u>	
Personnel costs	\$ 3,916,683	\$ 3,985,135	\$ 1,113,581	\$ 261,884	\$ 83,487	\$ 1,375,077	\$ 514,006	\$ 399,561		\$ 11,649,414
Capital asset depreciation	1,979,378	1,501,597	354,923	245,716		187,472	140,604	140,604		4,550,294
Utilities and telephone	1,358,975	409				200,773	1,525			1,561,682
Professional services	298,258	88,154	218	32	146,387	624,344	93,010	47,800		1,298,203
Animal care and feed		862,954								862,954
Supplies	248,868	343,956	35,364	18,747	35,826	73,864	16,215	33,706	\$ 6,958	813,504
Repair and maintenance of grounds	478,799	227,356	9,077	50,431		43,167	455	20		809,305
Advertising and cultivation	29,379				91,813		260,163	142,387		523,742
Insurance	409,790					102,865				512,655
Credit card processing and bank charges	427,717								27,443	455,160
Printing and postage	268,079	8,877	732			1,793	814	20,672		300,967
Dues and licenses	14,508	21,312	3,305	2,721		57,913	13,137	46,496		159,392
Special project costs		71,423	35,264							106,687
Uniforms	46,373	6,792	8,759			2,480				64,404
Meals and entertainment	6,107				224	11,911	3,486	182		21,910
Travel	2,859	7,092	1,050			5	1,699	3		12,708
Miscellaneous	37,977	16,545	2,950	316		6,841	28,039	97,864		190,532
Total	<u>\$ 9,523,750</u>	<u>\$ 7,141,602</u>	<u>\$ 1,565,223</u>	<u>\$ 579,847</u>	<u>\$ 357,737</u>	<u>\$ 2,688,505</u>	<u>\$ 1,073,153</u>	<u>\$ 929,295</u>	<u>\$ 34,401</u>	<u>\$ 23,893,513</u>

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

CONSERVATION SOCIETY OF CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2020

	<u>Program services</u>					<u>Supporting services</u>				<u>Total</u>
	<u>Operations</u>	<u>Animal management</u>	<u>Education</u>	<u>Concessions</u>	<u>Special events</u>	<u>Administration</u>	<u>Marketing and public relations</u>	<u>Fund development</u>	<u>Capital campaign fundraising</u>	
Personnel costs	\$ 3,986,891	\$ 3,857,540	\$ 1,390,232	\$ 291,837	\$ 92,701	\$ 1,584,956	\$ 552,952	\$ 346,085		\$ 12,103,194
Capital asset depreciation	1,962,509	1,488,800	351,898	243,622		185,874	139,406	139,406		4,511,515
Utilities and telephone	1,188,431				1,995	203,617	2,163			1,396,206
Professional services	405,268	68,246	6,803		222,995	410,010	37,380	43,073		1,193,775
Animal care and feed		712,933								712,933
Supplies	281,808	171,004	45,193	2,012	60,772	74,068	3,669	20,480	\$ 37,042	696,048
Repair and maintenance of grounds	351,975	243,782	3,745	44,467		54,019				697,988
Advertising and cultivation	17,446		8,766		25,791		171,193	23,692		246,888
Insurance	383,454					85,153				468,607
Credit card processing and bank charges	294,754								17,777	312,531
Printing and postage	349,611	4,118	1,731	72		2,715	301	14,269		372,817
Dues and licenses	25,950	13,723	969	2,301		54,127	3,775	36,778		137,623
Special project costs		36,541	16,233							52,774
Uniforms	33,844	9,690	3,362			13,765				60,661
Meals and entertainment	750					14,824	3,108	4,877		23,559
Travel	15,666	7,610	26,520			12,742	1,923	190		64,651
Miscellaneous	52,476	3,246	5,341	32	2	9,007	14,546	31,979		116,629
Total	<u>\$ 9,350,833</u>	<u>\$ 6,617,233</u>	<u>\$ 1,860,793</u>	<u>\$ 584,343</u>	<u>\$ 404,256</u>	<u>\$ 2,704,877</u>	<u>\$ 930,416</u>	<u>\$ 660,829</u>	<u>\$ 54,819</u>	<u>\$ 23,168,399</u>

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

CONSERVATION SOCIETY OF CALIFORNIA

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (1,352,848)	\$ (1,085,385)
Reconciliation to net cash provided by operating activities:		
Depreciation	4,550,294	4,511,515
Provision for doubtful pledges receivable	3,354	(7,085)
Changes in:		
Accounts and other receivables	(85,110)	189,941
Prepaid expenses and other	(153,416)	25,390
Pledges receivable	246,559	175,845
Accounts payable	369,918	(320,726)
Accrued liabilities	14,392	137,433
Deferred revenue and unearned rental income	316,311	(631,288)
Net cash provided by operating activities	<u>3,909,454</u>	<u>2,995,640</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(93)	(111)
Purchases of property and equipment	<u>(921,665)</u>	<u>(786,122)</u>
Net cash used by investing activities	<u>(921,758)</u>	<u>(786,233)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	2,000,000	2,742,100
Principal payments on line of credit	<u></u>	<u>(200,000)</u>
Net cash provided by financing activities	<u>2,000,000</u>	<u>2,542,100</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,987,696	4,751,507
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>11,616,047</u>	<u>6,864,540</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 16,603,743</u>	<u>\$ 11,616,047</u>
OTHER CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 13,776</u>	<u>\$ 6,860</u>
NON-CASH INVESTING ACTIVITIES:		
Property and equipment financed through accounts payable	<u>\$</u>	<u>\$ 485,824</u>

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

CONSERVATION SOCIETY OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. OPERATIONS AND AGREEMENT WITH THE CITY OF OAKLAND

The Conservation Society of California (Society), dba, The Oakland Zoo, is a nonprofit public benefit corporation formed to operate a zoo and related facilities in Knowland Park, within the City of Oakland.

Oakland Zoo spans 100 acres and is home to over 850 native and exotic animals, many of which are rescues from the illegal wildlife trade, private ownership, or casualties of human-wildlife conflict needing sanctuary. The Society strives to provide the best in animal care and welfare, conservation-based education programs and quality guest experience to its 900,000+ annual visitors. With over 25 conservation partners and projects worldwide, the Society is committed to conservation-based education, saving species and their habitats in the wild, and leading an informed and inspired community to Taking Action for Wildlife both locally and globally. Fifty cents from every admission ticket and two dollars from every membership goes to support wildlife conservation programs worldwide.

The Zoo offers extensive and multi-platform educational and conservation-based messaging at its numerous exhibits for animals, from African elephants, lions, and primates in the main zoo to California Trail natives including Grizzly bears, bison, California condors, and mountain lions. Additionally, the Zoo conducts animal care-focused zookeeper talks for visitors and other experiences such as the Outback Adventure train, Sky Ride, restaurants, aerial gondola, and multiple playgrounds for children.

Accredited by the Association of Zoos and Aquariums (AZA), the national organization that sets the highest standards for animal welfare for zoos and aquariums, the Zoo is dedicated to the humane treatment of animals and is and has been recognized worldwide for its excellent animal management practices; trailblazing new techniques and methods that have since been adopted at other zoos worldwide.

The Society and the City of Oakland (City) have a management agreement for the Oakland Zoo and Knowland Park (Zoo and Park). Under the agreement, the Society has the exclusive right to maintain, operate, and control the zoological and botanical gardens and park areas in Knowland Park. The City retains ownership of the Zoo grounds real property, animal collection, and certain other fixed assets. The current management agreement expires on October 31, 2039.

In consideration for operating the Zoo and Park, the City provided \$171,414 to the Society in management fees during both 2021 and 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements are presented in conformity with professional standards applicable to not-for-profit entities. Under professional standards, the Society reports information regarding its financial position and activities according to two classes of net assets: *net assets without donor restrictions* and *net assets with donor restrictions*.

Revenue recognition – Contributions and government funding 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

CONSERVATION SOCIETY OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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.

The Society's revenue from contracts with customers consists of admissions revenue, membership revenue, concessions revenue, education and special events revenue, and rental revenue. Admissions and retail revenue is recognized at time of purchase. Education, special events and rental revenue are recognized when the related events occur. Membership revenue is recognized over the term of the membership, typically one year. Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

The balances of receivables and liabilities from contracts with customers are as follows as of September 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable, net	\$ 178,339	\$ 93,229	\$ 283,170
Contract liabilities:			
Deferred revenue and unearned rental income	\$ 4,624,800	\$ 4,308,489	\$ 4,939,777

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.

Contributed services that do not meet the criteria for recognition, including approximately 53,000 volunteer hours, are not reflected in the financial statements. The fair market value of these volunteer hours is estimated to be approximately \$780,000 and \$880,000 for 2021 and 2020, respectively.

Cash and cash equivalents – For financial statement purposes, the Society considers all investments with a maturity at purchase of three months or less to be cash equivalents, unless held for long-term investing purposes.

The Society maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Society's deposits held with financial institutions in excess of federal deposit insurance limits were \$15,578,648 and \$10,508,121 as of September 30, 2021 and 2020, respectively. 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.

Investments consist of money market funds held for long-term investing purposes and are stated at fair market value. Investments are included in Level 1 of the fair value hierarchy as they are based on quoted prices in active markets.

Property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives of 3 to 60 years. The Society's policy is to capitalize such items with a cost of \$5,000 or more. Property and equipment represent costs the Society has incurred purchasing,

CONSERVATION SOCIETY OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

building, and improving exhibits on the premises of the Zoo and includes the value of the collection of animals purchased by the Society. These assets would become the property of the City of Oakland should the City and the Society terminate their agreement.

Functional expenses – The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, personnel costs are allocated based on estimates of employees' time incurred. All other expenses are allocated based on management's estimate of the usage of resources.

Income taxes – The Society is publicly supported and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but is subject to income taxes from activities unrelated to its tax-exempt purpose. The Society has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Society is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2016.

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.

Fair value measurement information is reported in the Society's investment accounting policy and Note 5.

Recent accounting pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and

CONSERVATION SOCIETY OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending September 30, 2023. The Society is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been evaluated through March 28, 2022, the date the financial statements were issued. Management concluded that no material subsequent events have occurred, except as noted at Note 10, since September 30, 2021 requiring recognition or disclosure in such financial statements.

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 September 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 16,603,743	\$ 11,616,047
Accounts and other receivables	178,339	93,229
Pledges receivables, net	37,506	287,419
Investments	<u>184,239</u>	<u>184,146</u>
Total financial assets	17,003,827	12,180,841
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restriction by donors for time or purpose	<u>(1,211,904)</u>	<u>(1,110,255)</u>
Total financial assets available for general expenditure within one year	<u>\$ 15,791,923</u>	<u>\$ 11,070,586</u>

The Society's financial assets available for general expenditure as of September 30, 2021 and 2020 are immediately liquid and designed to allow for an average of 3-6 months of operating funds to be drawn upon in the event of financial strain caused by circumstances out of the Society's control (e.g., pandemic, weather/climate impacts) or an immediate liquidity need resulting from events outside of the typical course of business operations. In addition, the Society has a \$2,000,000 operating line of credit with Fremont Bank should it encounter an unanticipated liquidity need.

From time to time, the Board of Trustees can designate a portion of any operating surplus at the end of the fiscal year to its operating reserve to ensure the Society always maintains an adequate source of liquidity to meet its ongoing operations. Management's best practice is to maintain a minimum of 90 days of liquidity (equivalent to approximately \$5M) for normal business operating expenses.

4. PLEDGES RECEIVABLE

The Society recognizes pledges receivable at their estimated fair value, on a nonrecurring basis, at the time the pledge is made. Fair value is determined by calculating the net present value of the estimated future cash flows. The discount rates used in determining the net present value of pledges receivable at September 30, 2021 and 2020 ranged from 1.35% to 2.96%.

CONSERVATION SOCIETY OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

Pledges receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Gross pledges receivable	\$ 39,804	\$ 293,397
Less: Unamortized discount	(308)	(308)
Less: Reserve for uncollectible pledges	(1,990)	(5,670)
Pledges receivable, net	<u>\$ 37,506</u>	<u>\$ 287,419</u>

Pledges receivable are due to be collected as follows:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 27,871	\$ 278,643
In one to five years	9,635	8,776
Pledges receivable, net	<u>\$ 37,506</u>	<u>\$ 287,419</u>

Approximately 37% and 43% of the Society's pledges receivable are from one donor at September 30, 2021 and 2020, respectively.

5. CHARITABLE REMAINDER TRUST ASSET

Charitable remainder trust asset reflects the estimated fair value of an irrevocable charitable trust, held by a third-party trustee, for which the Society is a remainder beneficiary. The trust agreement provides annual payments to a designated lead beneficiary equaling 8% of trust net assets. The fair value of the charitable remainder trust asset is measured on a recurring basis and was determined using an investment return consistent with the composition of the asset portfolio, life expectancy of the lead beneficiary, and a discount rate of 3.0% at September 30, 2021 and 2020. The charitable remainder trust asset is 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 and requires management to develop their own assumptions. There was no change in fair value for the year ended September 30, 2021 and 2020.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Buildings and structures	\$ 105,666,036	\$ 105,168,946
Construction in progress	23,696	171,577
Land improvements	13,472,288	13,376,032
Equipment	5,101,907	4,818,325
Vehicles	1,089,190	1,096,581
Furniture and fixtures	348,989	340,201
Zoological collection	198,167	227,847
Total	125,900,273	125,199,509
Less accumulated depreciation	(45,260,299)	(40,930,906)
Total	<u>\$ 80,639,974</u>	<u>\$ 84,268,603</u>

CONSERVATION SOCIETY OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

7. NET ASSETS

Net assets with donor restrictions that are temporary in nature are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Education	\$ 406,233	\$ 406,043
Animal enrichment	284,543	191,784
Elephant barn	198,625	197,625
Conservation	162,294	148,882
Other projects	52,665	58,377
Time restricted (Charitable remainder trust asset)	<u>107,544</u>	<u>107,544</u>
Total	<u>\$ 1,211,904</u>	<u>\$ 1,110,255</u>

8. LINE OF CREDIT

The Society has a line of credit agreement with a bank to borrow up to \$2,000,000. The line of credit carries a variable interest rate equal to the prime rate as published in the Wall Street Journal plus 0.50%, with a floor of 3.75%. Interest payments on borrowings are due monthly and the principal and any unpaid interest are due and payable on July 2022. There was no outstanding balance on this line of credit as of September 30, 2021 and 2020.

9. ENVIRONMENTAL EASEMENT LIABILITY AND RELATED LETTERS OF CREDIT

In July 2020, the Society opened a line of credit agreement with a bank for \$1,433,492. The line of credit carries a variable interest rate equal to the prime rate as published in the Wall Street Journal plus 0.50%, with a floor of 3.25%. Interest payments on borrowings are due monthly and the principal and any unpaid interest are due and payable on September 2022. This line of credit was opened in relation to letters of credit established by the California Department of Fish and Wildlife (CDFW) in 2016 for the permits granted to the Society by the CDFW for the California Trail Project (Project). As a condition of these permits the Society must secure a conservation easement over lands to be permanently protected, complete certain land enhancement and restoration requirements for this area and manage the conservation easement lands appropriately. The Society is in the process of securing regulatory approvals for the on-site conservation easement as defined by the approvals for the California Trail exhibit expansion. As part of the final approvals, a conservation easement holder has been identified and this agency is reviewing all documents and costs to establish an endowment that would allow for the maintenance of the easement. The Society has recorded a liability in accrued expenses on the balance sheet of \$485,824. This liability was established by a third-party organization to support the Society's project approvals in 2015. Although the Project has been completed, the Society still has the ongoing conservation requirements noted above with the CDFW. The CDFW will assess the conservation efforts of the Society and if not satisfactory, they will complete these requirements themselves by potentially drawing on the letters of credit. The bank would in turn draw on the line of credit to pay out the letters of credit. The line of credit limit represents the amount the CDFW would expend to complete the conservation requirements and would be paid using the line of credit. This line of credit was opened as collateral for the letters of credit and the Society cannot draw on this line for other purposes. There were no draws on the letters of credit during the years ended September 30, 2021 and 2020.

CONSERVATION SOCIETY OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

10. PAYCHECK 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 \$2,742,100. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPPFA) signed into law in June 2020. Under the CARES Act, as modified by PPPFA, 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. The portion of the loan that does not qualify for forgiveness is required to be repaid within 2 years at 1% interest and due in the year ending September 30, 2022 and therefore classified as a current liability on the balance sheet.

In January 2021, the Society received additional funding through the PPP loan program totaling \$2,000,000. 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 5 years at 1% interest. The timing of possible repayments, if any, is expected to begin 10 months after the end of the loan forgiveness covered period, which is 24 weeks after receipt of loan.

The Society applied for the forgiveness of the second loan based on the outlined PPP requirements. The amount of actual repayment amounts will be dependent on the approval process and results.

If the Society is required or chooses to repay the second PPP loan in full, future minimum principal payments are as follows:

Year Ending September 30,

2022	\$ 137,625
2023	393,426
2024	397,378
2025	401,370
2026	<u>670,201</u>
Total	<u>\$ 2,000,000</u>

The Society received notification that the first PPP loan was forgiven in February 2022 and will recognize the loan as income in the year ending September 30, 2022.

11. EMPLOYEES' INCENTIVE PLAN

The Society sponsors a retirement plan under Internal Revenue Code 403(b). Employees over the age of 21 are eligible to participate once they have completed six months of service. The Society makes matching contributions to the plan up to three percent of the participant's compensation. Employer matching and discretionary contributions vest immediately upon employee participation. The Society's contributions to this plan amounted to \$149,830 and \$155,122 during 2021 and 2020, respectively.

CONSERVATION SOCIETY OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

12. FOOD, BEVERAGE, AND CONCESSIONS AGREEMENT

The Society entered into a concessionaire agreement (the Agreement) effective February 1, 2017 with Service Systems Associates, Inc. (Concessionaire) to provide exclusive food service, catering and retail operations at the Zoo. The agreement remains in effect through September 30, 2029. During the term of the Agreement, the Society will receive monthly commissions based on a percentage of gross sales. In addition, the Concessionaire will make an investment over the term of the Agreement for various start-up costs, facility alterations, and contributions to Society capital projects. In the event the Society terminates the Agreement prior to September 30, 2029, the Society will be required to repay a portion of the Concessionaire's investment depending on the circumstances of the termination as detailed in the Agreement.

13. RISKS AND UNCERTAINTIES

The Zoo was closed from March 17, 2020 through July 29, 2020 as part of a government-mandated shelter in place order due to the COVID-19. In order to resume operations, a phased re-opening plan was instituted with public health-related safety protocols in place including significantly reduced visitor capacity, advanced reservations (no walk ups), timed ticketing; and the discontinuation of group programs, such as Zoocamp, overnight camping, and facility rentals. On December 7, 2020, a second government mandated shelter-in-place was put into effect, again closing the Zoo to the public through February 3, 2021. While open to the public since February 3, 2021, COVID-19 continues to date, negatively impacting the Zoo's primary revenue sources, admissions and programs, particularly in the year ended September 30, 2021. Although the revenue disruptions were temporary, the Society could experience additional revenue losses and cash flow delays due to the ongoing impact of COVID-19. Due to the uncertainty of additional shelter in place orders, the Society is unable to estimate the total impact any additional orders will have.