



**FRESNO'S CHAFFEE ZOO CORPORATION
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

FRESNO'S CHAFFEE ZOO CORPORATION
FRESNO, CALIFORNIA

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fresno's Chaffee Zoo Corporation
Fresno, California

Opinion

We have audited the accompanying financial statements of Fresno's Chaffee Zoo Corporation (the Corporation), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year 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 the Corporation as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Corporation'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.

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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 the Corporation'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 the Corporation'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Inventory of Capital Assets Purchased with Measure Z Funds is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Corporation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Price Paige & Company

Clovis, California
June 27, 2023

FINANCIAL STATEMENTS

FRESNO'S CHAFFEE ZOO CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

(With Summarized Financial Information as of December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,962,163	\$ -	\$ 3,962,163	\$ 5,547,986
Accounts receivable	5,793,674	-	5,793,674	7,621,883
Investments, short term (Note 6)	7,345,651	958,975	8,304,626	8,385,716
Pledges receivable	20,000	-	20,000	18,000
Right of use assets, current (Note 5)	23,228	-	23,228	-
Beneficial use of land, current (Note 4)	-	87,575	87,575	87,575
Prepaid expenses	372,775	-	372,775	381,459
Total current assets	17,517,491	1,046,550	18,564,041	22,042,619
Pledges receivable	77,000	10,000	87,000	10,000
Investments, long term (Note 6)	8,357,817	74,130	8,431,947	10,222,676
Equipment and facilities, net (Note 7)	111,022,045	-	111,022,045	100,598,676
Right of use assets, long term (Note 5)	62,276	-	62,276	-
Beneficial use of land, long term (Note 4)	-	5,124,751	5,124,751	5,212,326
Other assets, net	69,219	-	69,219	80,755
Total assets	<u>\$ 137,105,848</u>	<u>\$ 6,255,431</u>	<u>\$ 143,361,279</u>	<u>\$ 138,167,052</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 6,078,573	\$ -	\$ 6,078,573	\$ 6,869,371
Accrued expenses	743,669	-	743,669	703,489
Current maturities of operating lease liabilities (Note 5)	23,228	-	23,228	-
Current maturities of finance lease liabilities (Note 5)	29,319	-	29,319	28,856
Current maturities of note payable (Note 9)	-	-	-	206,346
Deferred revenue (Note 12)	1,324,200	-	1,324,200	1,272,505
Total current liabilities	8,198,989	-	8,198,989	9,080,567
Long-term operating lease liabilities, net (Note 5)	62,276	-	62,276	-
Long-term finance lease liabilities, net (Note 5)	33,665	-	33,665	62,521
Long-term portion note payable (Note 9)	-	-	-	1,647,424
Total liabilities	<u>8,294,930</u>	<u>-</u>	<u>8,294,930</u>	<u>10,790,512</u>
Net assets:				
Without donor restrictions:				
Undesignated	119,189,888	-	119,189,888	109,136,193
Board designated (Note 10 & 11)	9,621,030	-	9,621,030	11,872,431
Total without donor restrictions	128,810,918	-	128,810,918	121,008,624
With donor restrictions (Note 10 & 11)	-	6,255,431	6,255,431	6,367,916
Total net assets	<u>128,810,918</u>	<u>6,255,431</u>	<u>135,066,349</u>	<u>127,376,540</u>
Total liabilities and net assets	<u>\$ 137,105,848</u>	<u>\$ 6,255,431</u>	<u>\$ 143,361,279</u>	<u>\$ 138,167,052</u>

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO'S CHAFFEE ZOO CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2022	2021
Revenue, support and other income/(expense):				
Revenue:				
Admissions	\$ 6,843,813	\$ -	\$ 6,843,813	\$ 7,775,591
Membership	2,346,942	-	2,346,942	2,528,522
Merchandise, food, and beverage	2,356,516	-	2,356,516	2,091,858
Special events, net of direct expenses of \$929,392 and \$363,865	281,461	-	281,461	841,296
Education	1,086,080	-	1,086,080	312,974
Sponsorships	165,500	-	165,500	107,000
	<u>13,080,312</u>	<u>-</u>	<u>13,080,312</u>	<u>13,657,241</u>
Total revenue				
Support:				
Measure Z (for capital projects)	14,649,772	-	14,649,772	27,637,018
Measure Z (for facility operations)	6,826,009	-	6,826,009	5,088,303
Contributions				
Cash and financial assets	789,146	40,147	829,293	587,616
Nonfinancial assets	102,429	-	102,429	194,055
	<u>22,367,356</u>	<u>40,147</u>	<u>22,407,503</u>	<u>33,506,992</u>
Total support				
Other income/(expense):				
Investment income, net	739,768	3,166	742,934	972,122
Net investment gains (losses)	(4,485,331)	(20,989)	(4,506,320)	844,636
Paycheck protection program	1,879,418	-	1,879,418	1,715,622
Employee retention credit	-	-	-	1,904,560
Loss on disposal of assets	(69,723)	-	(69,723)	(27,952)
Other income	28,099	-	28,099	82,548
	<u>(1,907,769)</u>	<u>(17,823)</u>	<u>(1,925,592)</u>	<u>5,491,536</u>
Total other income				
Total revenues, support and other before net assets released from restrictions	33,539,899	22,324	33,562,223	52,655,769
Net assets released from restrictions	134,809	(134,809)	-	-
Total revenue, support, and other after net assets released from restrictions	<u>33,674,708</u>	<u>(112,485)</u>	<u>33,562,223</u>	<u>52,655,769</u>
Expenses:				
Program services	22,207,415	-	22,207,415	18,536,740
Supporting services:				
Management and general	2,792,032	-	2,792,032	2,810,045
Fundraising	872,967	-	872,967	493,317
	<u>25,872,414</u>	<u>-</u>	<u>25,872,414</u>	<u>21,840,102</u>
Total expenses				
Changes in net assets	<u>\$ 7,802,294</u>	<u>\$ (112,485)</u>	<u>\$ 7,689,809</u>	<u>\$ 30,815,667</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**FRESNO'S CHAFFEE ZOO CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Net assets, beginning of year	\$ 121,008,624	\$ 6,367,916	\$ 127,376,540	\$ 91,173,397
Prior period adjustment	-	-	-	5,387,476
Net assets, beginning of year, restated	121,008,624	6,367,916	127,376,540	96,560,873
Changes in net assets	7,802,294	(112,485)	7,689,809	30,815,667
Net assets, ending of year	<u>\$ 128,810,918</u>	<u>\$ 6,255,431</u>	<u>\$ 135,066,349</u>	<u>\$ 127,376,540</u>

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO'S CHAFFEE ZOO CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	Program Services					Supporting Services		Total	
	Animal	Exhibits &	Education &	Membership &	Program	Management &	Fundraising	2022	2021
	Management	Grounds	Conservation	Visitor Services	Subtotal	General			
Advertising	\$ -	\$ -	\$ -	\$ 717,791	\$ 717,791	\$ -	\$ 12,500	\$ 730,291	\$ 638,226
Animal services	619,783	-	-	-	619,783	-	-	619,783	466,155
Bank and credit card fees	47,526	36,635	16,151	94,691	195,003	31,558	8,641	235,202	123,441
Behind the scenes	-	-	1,313	-	1,313	-	-	1,313	239
Community support	-	-	-	-	-	-	2,500	2,500	-
Conservation	-	-	275,981	-	275,981	-	-	275,981	287,190
Contracted services	68,940	299,371	24,902	230,695	623,908	355,774	158,038	1,137,720	950,598
Depreciation and amortization	130,301	4,622,301	27,940	173,217	4,953,759	90,025	12,864	5,056,648	4,607,337
Dinosaur exhibit expense	-	-	-	570,088	570,088	-	-	570,088	554,582
Dues and subscriptions	16,191	7,175	3,805	25,842	53,013	12,168	1,859	67,040	65,233
Equipment expense	67,128	148,914	13,601	81,873	311,516	10,245	2,233	323,994	308,488
Fleet expense	1,378	37,752	1,359	340	40,829	226	79	41,134	29,791
Food and catering	7,239	5,884	12,638	27,683	53,444	6,504	28,427	88,375	40,812
Insurance	50,116	39,046	17,241	101,169	207,572	33,626	9,195	250,393	204,613
Interest	2,106	1,641	724	4,251	8,722	1,413	386	10,521	20,041
Information technology	2,057	10,675	8,119	28,070	48,921	338,314	2,908	390,143	327,324
Lease expense	17,528	13,656	6,030	35,384	72,598	11,761	3,216	87,575	87,575
Mileage, tolls, and parking	721	-	-	185	906	433	433	1,772	318
Miscellaneous	19,751	15,442	6,795	40,386	82,374	31,033	4,099	117,506	66,174
Office supplies	4,318	926	12,742	8,590	26,576	10,115	1,247	37,938	34,085
Personnel	5,054,148	1,414,008	1,901,417	2,521,760	10,891,333	1,535,972	529,490	12,956,795	10,281,988
Postage	7,562	2	-	14,114	21,678	836	11,200	33,714	38,162
Printing	-	389	-	49,641	50,030	-	5,433	55,463	89,852
Professional services	105,142	81,671	9,233	58,399	254,445	62,008	18,804	335,257	298,508
Recognition	1,435	-	-	-	1,435	1,281	49	2,765	9,817
Recruiting	-	-	-	-	-	44,354	-	44,354	67,936
Repairs and maintenance	179,155	203,254	443	27,694	410,546	5,376	-	415,922	735,524
Signage	-	-	-	44,603	44,603	-	160	44,763	72,291
Specialized services	430	882	420	-	1,732	1,603	7,918	11,253	10,502
Staff development	63,934	2,604	19,030	16,394	101,962	30,988	2,064	135,014	32,462
Supplies	227,050	241,506	105,715	30,134	604,405	225	6,655	611,285	395,809
Taxes	614	478	211	1,239	2,542	412	113	3,067	2,111
Telephone	18,772	14,473	6,390	37,499	77,134	13,232	3,408	93,774	108,426
Uniforms	-	-	-	-	-	19,758	-	19,758	37,761
Utilities	212,817	165,824	73,212	429,620	881,473	142,792	39,048	1,063,313	846,731
Total expenses	\$ 6,926,142	\$ 7,364,509	\$ 2,545,412	\$ 5,371,352	\$ 22,207,415	\$ 2,792,032	\$ 872,967	\$ 25,872,414	\$ 21,840,102

See Independent Auditor's Report and Notes to the Financial Statements.

FRESNO'S CHAFFEE ZOO CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 7,689,809	\$ 30,815,667
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	5,056,648	4,607,337
Net investment (gains) losses	4,506,320	(844,636)
Loss on disposal	69,723	27,952
Reduction in basis of right-of-use assets	5,597	-
Beneficial use of land	87,575	-
Forgiveness of paycheck protection program loan	(1,853,770)	(1,715,622)
Changes in assets and liabilities:		
Accounts receivable	1,828,209	(329,260)
Pledges receivable	(79,000)	32,000
Prepaid expenses	8,684	(259,314)
Accounts payable	(790,798)	1,163,779
Accrued expenses	40,180	(111,308)
Operating lease liabilities	(5,597)	-
Deferred revenue	51,695	110,805
	<u>16,615,275</u>	<u>33,497,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and facilities	(15,538,204)	(27,936,480)
Purchase of investments	(3,033,247)	(6,732,335)
Proceeds from sale of investments	398,746	2,706,209
	<u>(18,172,705)</u>	<u>(31,962,606)</u>
Net cash and cash equivalents used for investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(775,694)
Proceeds from borrowings under long-term debt	-	1,853,770
Principal payments on finance leases	(28,393)	(15,933)
	<u>(28,393)</u>	<u>1,062,143</u>
Net cash and cash equivalents used for financing activities		
Net change in cash and cash equivalents	(1,585,823)	2,596,937
Cash and cash equivalents, beginning of year	<u>5,547,986</u>	<u>2,951,049</u>
Cash and cash equivalents, end of year	<u>\$ 3,962,163</u>	<u>\$ 5,547,986</u>
Supplemental cash flow information:		
Non-cash transactions:		
Donated materials and services	<u>\$ 102,429</u>	<u>\$ 194,055</u>
Donated stock	<u>\$ 50,274</u>	<u>\$ -</u>
Right-of-use assets after ASC842 implementation	<u>\$ 91,101</u>	<u>\$ -</u>
Transfer of construction in progress to equipment and facilities	<u>\$ 12,336,375</u>	<u>\$ 3,387,803</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – NATURE OF ORGANIZATION

Nature of Operations

Fresno's Chaffee Zoo Corporation (the Corporation) was formed as a not-for-profit public benefit corporation in 2005, under the laws of the State of California. The Fresno Chaffee Zoo (the Zoo) is an animal conservation and care facility located in Fresno, California. Pursuant to a lease agreement dated January 1, 2006, between the City of Fresno (the City) and the Corporation, the City transferred management and financial responsibility for the Zoo to the Corporation. The Corporation operates and maintains the facility and operates the programs to support wildlife conservation, education, and professional animal management in the community.

The Corporation's main revenue sources can be grouped into two categories: earned revenues (including revenue from the sale of admission tickets, entrance fees for special exhibits and animal feeding experiences, membership dues, commissions from food service and retail sales, special events income, and education program fees) and public support (including contributions made by donors, and support received from Measure Z, a transactions and use tax levied at a rate of 0.1%, collected in Fresno County).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standards, as amended, are to be applied retrospectively to annual reporting periods beginning after June 15, 2021. The Corporation adopted ASU 2020-07 with a date of initial application of January 1, 2022.

In 2022, the Corporation adopted Accounting Standards Update (ASU) 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Corporation elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU 2016-02, the Corporation recognized right-of-use assets of \$91,101 and lease liabilities totaling \$91,101 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

Basis of Accounting

The Corporation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions – Net assets for use in general operations and not subject to use or time restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes.

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, purpose, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

The Statements of Activities, Changes in Net Assets, and Functional Expenses include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Corporation recognizes revenue from ticket sales at the time of admission or, in the case of a special exhibit, when the ticket is used for entry into the exhibit. Ticket sales that are purchased in advance to be redeemed at a later date are reported as deferred revenue.

Revenue from commissions on the sale of retail merchandise and food and beverage are recognized at the time of purchase by the customer. Special events revenue is recognized upon the event taking place.

Membership dues, which are nonrefundable, are comprised of several performance obligations provided to customers. The value of these performance obligations is deferred initially and recognized as the performance obligations are delivered, which is over the membership period. Membership dues received for future periods are reported as deferred revenue.

Club membership dues have an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Corporation recognizes the exchange portion of club membership dues over the membership period, and the contribution portion immediately.

Revenue from educational programs, such as ZooCamp, are deferred initially and recognized as the performance obligations are delivered, which is ratably over the period of time the program is held. Tuition and fees received for future periods are reported as deferred revenue.

Realized and unrealized gains and losses and investment income derived from investment transactions are included as income in the year earned.

Measure Z

On November 2, 2004, the voters of Fresno County approved Measure Z, a transaction and use tax (sales tax) at the rate of 0.1% administered by the Fresno County Zoo Authority (the Zoo Authority), to support the Zoo. On November 4, 2014, Measure Z was extended for an additional ten years. On June 7, 2022, Measure Z was extended for an additional fifteen years.

The Fresno County tax ordinance requires at least 98% of Measure Z tax revenue to be allocated to the Corporation for the purpose of operations, maintenance, and capital projects at the facility. The Zoo Authority, which is charged with the oversight of the administration of the Measure Z funds, is allocated up to 2% of the tax proceeds for the purpose of administration. The Corporation is subject to a budgeting process through which all proposed spending under Measure Z must be reviewed and approved by the Zoo Authority before costs are incurred. Once budgets are approved, documentation showing actual costs expended (referred to as a "claim") must be submitted for reimbursement. All claims submitted are subject to review and approval by the Zoo Authority.

The Corporation recognizes support from Measure Z based on the reimbursable costs incurred during the financial reporting period. Please refer to Note 3 for additional disclosures regarding Measure Z reimbursements.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions, including unconditional promises to give, are recognized initially at net realizable value as support in the year received. Net realizable value is estimated giving consideration to anticipated future cash receipts (after an allowance is made for uncollectible contributions, if necessary). Contributions to be received after one year are recorded at the present value of their estimated future cash flows.

Conditional promises to give are not included as support until the conditions are substantially met. Amounts received in advance of satisfying the donor-imposed conditions are reported as deferred revenue.

Contributed Nonfinancial Assets

The Corporation recognizes contributed nonfinancial assets within revenue, including donated materials, assets, land, space, and professional services. A substantial number of volunteers have made significant contributions of their time to the Corporation's programs and supporting services. The value of this contributed time is not reflected in these financial statements since it does not require a specialized skill.

Donated equipment and supplies are used in various programs within the Corporation. The Corporation estimates the value based on the fair value that would be paid for similar items in the Central Valley.

Donated food and catering services are used in various programs within the Corporation. The Corporation estimates the value based on the fair value that would be paid for similar food and services in the Central Valley.

Donated goods are used for auction for the benefit of various programs within the Corporation. The Corporation estimates the value based on the fair value that would be paid for similar goods in the Central Valley.

Contributed services comprise professional services that would otherwise be purchased. Contributed services are valued and reported at the estimated fair value based on current rates for similar services.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts. The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Marketable investments in equity and debt securities are carried at fair value based upon quoted market prices. The Corporation's Finance Committee is responsible for establishing investment criteria and overseeing the Corporation's investments.

The Corporation maintains master investment accounts that include its donor-restricted and board-designated endowments. Pooling endowment funds for investment purposes has many benefits, including but not limited to, spreading the total risk of each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance relative to that of an individual fund, and reducing management fees. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable primarily consist of trade receivables and receivables due from the Zoo Authority for reimbursable costs incurred by the Corporation under Measure Z. Management provides for probable uncollectible amounts through provisions for bad debt expense based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the accounts receivable. At December 31, 2022 and 2021, the Corporation considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

As of December 31, 2022 and 2021, the amounts due to the Corporation for reimbursable costs related to outstanding Measure Z claims were \$3,551,364 and \$5,563,697, respectively.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. At December 31, 2022 and 2021, the Corporation considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

Collections

While the animal collection represents the Corporation's most cherished asset, in accordance with industry practice, the Corporation's collection of animals is not capitalized and recognized as assets on the statement of financial position. The animal collection has numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the Corporation exchanges animals with other organizations, but consistent with industry practice, typically does not record any asset or liability when an animal is exchanged with another organization. Generally, expenditures related to animal acquisitions are expensed in the period of acquisition.

Equipment and Facilities

Equipment and facilities are carried at cost less accumulated depreciation. Expenditures for major renewals or betterments in excess of \$5,000 for furniture, fixtures, and equipment, and \$30,000 for facilities and improvements that extend the useful lives of property, plant, and equipment are capitalized. Expenditures for maintenance and repairs, including planned major maintenance activities, are charged to expense as incurred. When assets are retired or disposed, the asset's original cost and related accumulated depreciation are eliminated from the accounts and any gain or loss is reflected in the statement of activities. Amortization expense on leasehold improvements is included in depreciation expense and is recorded over the shorter of the estimated useful life of the leasehold improvement or the lease terms that are reasonably assured.

Depreciation of equipment and facilities is provided using the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Buildings, exhibits and improvements	5 to 20
Transportation and equipment	3 to 7
Furniture and fixtures	5

See Independent Auditor's Report.

FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisal, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment losses were incurred during the years ended December 31, 2022 and 2021, respectively.

Leases

The Corporation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Corporation does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

Operating leases are included in right-of-use assets and long-term liabilities in the statement of financial position. Finance leases are included in property and equipment and long-term liabilities in the statements of financial position.

Advertising

The Corporation uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed the first time the advertising takes place. Advertising expense was \$730,291 and \$638,226 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The Corporation is a qualified organization exempt from federal income taxes and state franchise taxes under §501(c)(3) of the Internal Revenue Code (IRC) and §23701d of the California Revenue and Taxation Code, respectively. The Corporation is subject to federal income taxes for any activities that are unrelated to its exempt purpose. Unrelated business income tax, if any, is insignificant and no provision for income taxes has been made.

U.S. GAAP requires Corporation management to evaluate tax positions by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service.

The Corporation's evaluations for the years ended December 31, 2022 and 2021, respectively, revealed no tax positions that would have a material impact on the financial statements. The tax returns of the Corporation are subject to examination by federal and state taxing authorities. However, there are currently no examinations in progress or pending.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist principally of cash and cash equivalents and investments. The Corporation maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The amounts that exceed federally insured limits were approximately \$4,063,000 and \$7,726,000 at December 31, 2022 and 2021, respectively. The Corporation has not experienced any losses in such accounts. The Corporation attempts to limit its credit risk associated with cash equivalents and investments by utilizing outside investment managers to place the Corporation's investments with highly rated corporate and financial institutions. Management believes that the Corporation is not exposed to any significant credit risk related to concentrations.

Functional Allocation of Expenses

Expenses which apply to more than one functional category have been allocated among program services, management and general, and fundraising on a reasonable basis that is consistently applied. Most expenses of the Corporation are allocated based on overall usage estimates, with the exception of personnel and staff development, which are allocated on the basis of estimated time and effort, and depreciation and amortization, which is allocated using a direct identification methodology.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no impact on the Corporation's net assets at December 31, 2021.

NOTE 3 – MEASURE Z

As disclosed in Note 2, the Corporation receives funding from Measure Z, a transaction and use tax collected in Fresno County. Pursuant to the bylaws of the Zoo Authority, a minimum of two-thirds of the tax revenue allocated to the Corporation must be used for capital projects, while the remaining amount may be used for facility operations, including maintenance.

The following table presents Measure Z reimbursable costs, by project name and purpose, incurred for capital projects for the years ended December 31:

	Design	Construction	Total	
			2022	2021
Ambassador Animal Center	\$ 548	\$ 11,165	\$ 11,713	\$ 1,941,363
Energy Efficiency	-	345,891	345,891	-
Kingdoms of Asia	371,707	10,969,088	11,340,795	18,741,868
Miscellaneous	-	2,886	2,886	84,590
Mixed Species	104,832	140,565	245,397	-
SLC Biotank	77,682	276,220	353,902	-
Zooplex Building	102,263	2,246,815	2,349,078	6,869,077
	<u>657,032</u>	<u>13,992,630</u>	<u>14,649,662</u>	<u>27,636,898</u>
Bank and credit card fees	<u>110</u>	<u>-</u>	<u>110</u>	<u>120</u>
Total	<u>\$ 657,142</u>	<u>\$ 13,992,630</u>	<u>\$ 14,649,772</u>	<u>\$ 27,637,018</u>

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 – MEASURE Z (Continued)

The following table presents Measure Z reimbursable expenses, by expense line item, incurred for facility operations for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Animal services and supplies	\$ 526,690	\$ 546,279
Personnel:		
Animal care	3,955,000	2,615,411
Commissary	205,000	-
Education	-	386,000
Guest services and security	-	358,946
Maintenance and horticulture	728,690	407,987
Veterinary	448,019	292,000
Repairs and maintenance	87,500	73,000
Utilities	<u>875,000</u>	<u>408,550</u>
	6,825,899	5,088,173
Bank and credit card fees	<u>110</u>	<u>130</u>
Total	<u>\$ 6,826,009</u>	<u>\$ 5,088,303</u>

NOTE 4 – BENEFICIAL USE OF LAND

According to the terms of the lease agreement (the Agreement) between the City and the Corporation, dated January 1, 2006 (the Commencement Date), the City transferred management and financial responsibility for the Zoo to the Corporation. Under the Agreement, the City owns the Zoo grounds and structures existing at the Commencement Date, and the Corporation is, and will be, the owner of all the improvements constructed after the Commencement Date. As of the Commencement Date, the Corporation has assumed all obligations with respect to the animals cared for, housed, or otherwise kept at the Zoo during the term of the Agreement.

The lease rate is \$1 per year paid through the term of the Agreement. The lease expires January 1, 2036, with an option to extend for an additional 25-year period or two additional 10-year periods. Improvements and animals shall become the property of the City when the lease is terminated or expires. The annual rental value was estimated to be approximately \$87,575 per year through 2035 and \$162,954 per year through 2060. For each of the years ended December 31, 2022 and 2021, lease expense of \$87,575 was recorded in connection with this lease agreement.

The values to be recognized on the use of land for the years ended December 31 are as follows:

	<u>City of Fresno</u>
2023	\$ 87,575
2024	87,575
2025	87,575
2026	87,575
2027 and thereafter	<u>4,862,026</u>
Total	<u>\$ 5,212,326</u>

See Independent Auditor's Report.

FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 – LEASES

Right-of-use assets represent the Corporation's right to use underlying assets for the lease term, and the lease liabilities represent the Corporation's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms.

The Corporation leases office space and equipment for administrative purposes under operating leases expiring on various dates through 2027. The Corporation leases machinery and equipment for program purposes under financing leases expiring at various dates through 2025.

The following is a schedule of minimum lease commitments for the years ending December 31:

	<u>Operating</u>	<u>Finance</u>
2023	\$ 23,228	\$ 29,319
2024	23,228	28,856
2025	20,291	4,809
2026	10,058	-
2027 and thereafter	<u>8,699</u>	<u>-</u>
Total	<u>\$ 85,504</u>	<u>\$ 62,984</u>

Lease expense for the years ended December 31, 2022 and 2021, was \$33,992 and \$26,141, respectively.

NOTE 6 – INVESTMENTS

Investments, at fair value, for the years ended December 31, 2022 and 2021, are as follows:

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2022</u>	<u>2021</u>
Investment type:				
Mutual funds	<u>\$ 15,703,468</u>	<u>\$ 1,033,105</u>	<u>\$ 16,736,573</u>	<u>\$ 18,608,392</u>

The components of investment return for the years ended December 31, 2022 and 2021, are as follows:

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2022</u>	<u>2021</u>
Investment income	\$ 790,410	\$ 3,569	\$ 793,979	\$ 1,062,084
External and direct internal fees	<u>(50,642)</u>	<u>(403)</u>	<u>(51,045)</u>	<u>(89,962)</u>
Investment income, net	739,768	3,166	742,934	972,122
Net investment gains (losses)	<u>(4,485,331)</u>	<u>(20,989)</u>	<u>(4,506,320)</u>	<u>844,636</u>
Total	<u>\$ (3,745,563)</u>	<u>\$ (17,823)</u>	<u>\$ (3,763,386)</u>	<u>\$ 1,816,758</u>

See Independent Auditor's Report.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 – INVESTMENTS (Continued)

The Corporation's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities that the entity has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability that are not corroborated by market data.

An asset or a liability's classification is based on the lowest level input that is significant to its measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used the years ended December 31, 2022 and 2021, respectively.

Registered investment companies (mutual funds) – Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV), and mutual funds are required to transact at that price. The funds held by the Corporation are deemed to be actively traded. Mutual funds held by the Corporation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission.

The following table provides information about the Corporation's financial assets measured at fair value on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment type:				
Mutual funds	<u>\$ 16,736,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,736,573</u>

The following table provides information about the Corporation's financial assets measured at fair value on a recurring basis as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment type:				
Mutual funds	<u>\$ 18,608,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,608,392</u>

There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2022 and 2021, respectively.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 7 – EQUIPMENT AND FACILITIES

Equipment and facilities consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Buildings, exhibits and improvements	\$ 102,044,158	\$ 89,523,828
Finance right to use assets	146,134	146,134
Furniture and fixtures	148,488	64,524
Transportation and equipment	<u>2,771,644</u>	<u>2,265,720</u>
Subtotal	105,110,424	92,000,206
Less accumulated depreciation and amortization	<u>(35,186,485)</u>	<u>(30,141,373)</u>
	69,923,939	61,858,833
Land	705,450	705,450
Construction in progress	<u>40,392,656</u>	<u>38,034,393</u>
Total equipment and facilities, net	<u>\$ 111,022,045</u>	<u>\$ 100,598,676</u>

Total depreciation and amortization expense for the years ended December 31, 2022 and 2021, was \$5,056,648 and \$4,607,337, respectively.

NOTE 8 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Corporation's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when not convertible to cash within one year, or when subject to other considerations such as donor restrictions or board designations.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,962,163	\$ 5,547,986
Accounts receivable	5,793,674	7,621,883
Investments	8,304,626	8,385,716
Current portion of pledges receivable	<u>20,000</u>	<u>18,000</u>
Total financial assets as of December 31	<u>18,080,463</u>	<u>21,573,585</u>
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Donor restricted - specific purpose	958,975	976,062
Capital project funds retained in money market account	2,694,662	2,143,953
Board designations:		
Board designated - specific purpose	1,263,213	1,741,708
Construction contracts payable	<u>546,611</u>	<u>3,881,318</u>
Total amounts not available to be used within one year	<u>5,463,461</u>	<u>8,743,041</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,617,002</u>	<u>\$ 12,830,544</u>

The Corporation's spending policy is to structure its financial assets to be available for operations, capital projects, and opportunities to enhance the Corporation's mission.

See Independent Auditor's Report.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 9 – DEBT OBLIGATIONS

Line of Credit

In 2014, the Corporation added a margin feature to its investment agreement with Charles Schwab. The feature allows the Corporation to borrow against the value of certain marginable investments held with Charles Schwab. Interest is calculated on the borrowings at the daily margin interest rate (5.75% and 1.50% at December 31, 2022 and 2021, respectively). At December 31, 2022 and 2021, there was no outstanding balance on the margin loan. Maximum borrowings on the margin loan were not to exceed \$4,948,743 and \$5,619,456 at December 31, 2022 and 2021, respectively.

Promissory Note

In response to the COVID-19 Pandemic, the Paycheck Protection Program (PPP) was established under the CARES Act and administered by the U.S. Small Business Administration (SBA). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans provided by local lenders, which supports payroll, rent, and utility expenses (qualified expenses). If the loan proceeds are fully utilized to pay qualified expenses over the covered period, as further defined by the PPP, the full principal amount of the PPP loan may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Corporation during the covered period as compared to a baseline period.

In May 2020, the Corporation received proceeds of \$1,702,700 under the PPP provided by Suncrest Bank. Based on the terms and conditions of the loan agreement, the term of the PPP loan is two years with an annual interest rate of 1.0% and principal and interest payments will be deferred for the first six months of the loan term, which has been updated according to the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act).

In January 2021, Suncrest Bank determined that the Corporation was entitled to forgiveness of the amount applied for in full and requested payment from the SBA. On February 2, 2021, the SBA remitted payments of \$1,702,700 and \$12,922 to Suncrest Bank, representing the amount of proceeds forgiven and accrued interest, respectively. The amount forgiven was recorded as income on the statement of activities during the year ended December 31, 2021.

In February 2021, the Corporation received proceeds of \$1,853,770 under the second draw of the PPP provided by Suncrest Bank. Based on the terms and conditions of the loan agreement, the term of the PPP loan is five years with an annual interest rate of 1.0% and principal and interest payments will be deferred for the first ten months of the loan term.

In June 2022, Suncrest Bank determined that the Corporation was entitled to forgiveness of the amount applied for in full and requested payment from the SBA. The SBA remitted payments of \$1,853,770 and \$25,648 to Suncrest Bank, representing the amount of proceeds forgiven and accrued interest, respectively. The amount forgiven was recorded as income on the statement of activities during the year ended December 31, 2022.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 10 – NET ASSETS

Net assets consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Undesignated	\$ 119,189,888	\$ 109,136,193
Board designated - specific purposes	1,263,213	1,741,708
Board designated - endowment	<u>8,357,817</u>	<u>10,130,723</u>
 Total without donor restrictions	 <u>128,810,918</u>	 <u>121,008,624</u>
With donor restrictions:		
Donor restricted - specific purposes	6,181,301	6,275,963
Donor restricted - endowment	<u>74,130</u>	<u>91,953</u>
 Total with donor restrictions	 <u>6,255,431</u>	 <u>6,367,916</u>
 Total	 <u>\$ 135,066,349</u>	 <u>\$ 127,376,540</u>

A portion of net assets are designated by the Board of Directors for specific purposes related to the mission and purpose of the Corporation. The following table presents activity in board-designated net assets for specific purposes for the year ended December 31, 2022:

	<u>December 31,</u> <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2022</u>
Conservation	\$ 3,341	\$ -	\$ (3,341)	\$ -
Development	1,448,007	229,946	(817,100)	860,853
Endowment	-	105,500	(8,500)	97,000
Infrastructure - exhibits	123,256	-	-	123,256
Planned gift	-	31,976	(16,976)	15,000
Sponsorship	76,108	-	-	76,108
Veterinary	<u>90,996</u>	<u>-</u>	<u>-</u>	<u>90,996</u>
 Total	 <u>\$ 1,741,708</u>	 <u>\$ 367,422</u>	 <u>\$ (845,917)</u>	 <u>\$ 1,263,213</u>

A portion of net assets are restricted by donors for specific purposes related to the mission and purpose of the corporation. The following table presents activity in donor-restricted net assets for specific purposes for the year ended December 31, 2022:

	<u>December 31,</u> <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2022</u>
Beneficial use of land	\$ 5,299,901	\$ -	\$ (87,575)	\$ 5,212,326
Conservation and enrichment	67,608	6,284	(11,764)	62,128
Education	24,833	2,722	-	27,555
Infrastructure - exhibits	593,057	31,141	(20,470)	603,728
Infrastructure - public	275,564	-	-	275,564
Vehicle	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
 Total	 <u>\$ 6,275,963</u>	 <u>\$ 40,147</u>	 <u>\$ (134,809)</u>	 <u>\$ 6,181,301</u>

See Independent Auditor's Report.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 – ENDOWMENT

The Corporation's endowment assets include both donor-restricted endowment funds as well as funds without donor restrictions designated for long-term investment by the Board of Directors, which are funds functioning as endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Corporation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Corporation classifies net assets with donor restrictions as: (i) the original value of gifts donated to the permanent endowment, (ii) the original value of subsequent gifts to the permanent endowment, and (iii) 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.

In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservations of the various funds, (ii) the purposes of the donor-restricted endowment funds, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Corporation, and (vii) the Corporation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Corporation has an Investment Policy Statement (IPS), which is approved by the Corporation's Finance Committee and Board of Directors. The IPS specifies investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Corporation expects its endowment assets, over time, to produce an average nominal rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Corporation has a policy of appropriating for distribution an amount of up to 5% of its endowment fund's average fair value for the prior 12 quarters through September 30 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Corporation considered the long-term expected return on its investment assets to approximately 8%, offset by estimated inflation of 3%, which is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

From time to time, certain donor-restricted endowment funds may have faith values less than the amount required to be maintained by donors by law (underwater endowments). The Board of Directors of the Corporation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 11 – ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 74,130	\$ 74,130
Board-restricted endowment funds	<u>8,357,817</u>	<u>-</u>	<u>8,357,817</u>
Total	<u>\$ 8,357,817</u>	<u>\$ 74,130</u>	<u>\$ 8,431,947</u>

Endowment net asset composition by type of fund as of December 31, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 91,953	\$ 91,953
Board-restricted endowment funds	<u>10,130,723</u>	<u>-</u>	<u>10,130,723</u>
Total	<u>\$ 10,130,723</u>	<u>\$ 91,953</u>	<u>\$ 10,222,676</u>

Changes in endowment net assets for the years ended December 31, 2022, and 2021, respectively, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of December 31, 2020	<u>\$ 6,982,260</u>	<u>\$ 81,121</u>	<u>\$ 7,063,381</u>
Investment return:			
Investment income, net	556,526	5,126	561,652
Net investment gains, realized and unrealized	<u>476,877</u>	<u>5,706</u>	<u>482,583</u>
Total investment return	<u>1,033,403</u>	<u>10,832</u>	<u>1,044,235</u>
Contributions	<u>2,115,060</u>	<u>-</u>	<u>2,115,060</u>
Endowment net assets as of December 31, 2021	<u>10,130,723</u>	<u>91,953</u>	<u>10,222,676</u>
Investment return:			
Investment income, net	392,016	3,166	395,182
Net investment gains, realized and unrealized	<u>(2,355,618)</u>	<u>(20,989)</u>	<u>(2,376,607)</u>
Total investment return	<u>(1,963,602)</u>	<u>(17,823)</u>	<u>(1,981,425)</u>
Contributions	<u>341,696</u>	<u>-</u>	<u>341,696</u>
Appropriation for expenditure	<u>(151,000)</u>	<u>-</u>	<u>(151,000)</u>
Endowment net assets as of December 31, 2022	<u>\$ 8,357,817</u>	<u>\$ 74,130</u>	<u>\$ 8,431,947</u>

See Independent Auditor's Report.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 12 – CONTRACTS WITH CUSTOMERS

Revenue from performance obligations satisfied at a point in time consists of the admissions, memberships, merchandise, concessions, and education. The total amount of revenue recognized for contracts with customers for the years ended December 31, 2022 and 2021, was \$14,009,704 and \$14,021,106, respectively.

The following table provides information about significant changes in deferred revenue for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 1,272,505	\$ 1,161,700
Revenue recognized that was included in deferred revenue at the beginning of year	(1,272,505)	(1,161,700)
Increase in deferred revenue due to cash received during the period	<u>1,324,200</u>	<u>1,272,505</u>
Deferred revenue, end of year	<u>\$ 1,324,200</u>	<u>\$ 1,272,505</u>

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities included the following at December 31:

	<u>2022</u>	<u>2021</u>
Capital assets	\$ 65,063	\$ -
Equipment and supplies	1,630	5,300
Food and catering	9,260	14,333
Goods	26,476	15,422
Professional services	-	159,000
Total contributed nonfinancial assets	<u>\$ 102,429</u>	<u>\$ 194,055</u>

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The Corporation entered into a lease agreement with the City of Fresno dated January 1, 2006. The lease rate is \$1 per year paid through the term of the Agreement. The annual rental value was estimated to be approximately \$87,575 per year through 2035 and \$162,954 per year through 2060.

During the year ended December 31, 2022, the Corporation determined that the full value of the operating lease should have been recognized as a contribution, having the effect of recognizing lease receivable and a contribution with donor restriction. The financial statements as of December 31, 2021, have been restated to account for this correction.

	2021
<u>Statement of Financial Position</u>	
Beneficial use of land	\$ 5,299,901
Increase in net assets with donor restrictions due to beneficial use of land	\$ 5,299,901
 <u>Statement of Activities</u>	
Increase in beneficial use of land expense	\$ 87,575
Net decrease in net assets	\$ (87,575)

NOTE 15 – EMPLOYEE BENEFIT PLAN

The Corporation maintains a 401(k) defined contribution plan (the Plan) for its employees. The Plan is available to all employees on the first day of the month following their hire date, provided they are at least 21 years of age. Employees are automatically enrolled in the Plan at a 1% pre-tax contribution rate unless they opt out. The Plan provides an employer match of 100% for the first 3% of the employee contribution and a 50% match for the next 2% of the employee contribution, up to a maximum employer match of 4% of pay. Total contributions made to the Plan for the years ended December 31, 2022 and 2021, were \$175,493 and \$149,920, respectively.

**FRESNO'S CHAFFEE ZOO CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Claims and Legal Actions

The Corporation is subject to claims and legal actions arising in the ordinary course of business. In the opinion of management, based in part upon the advice of legal counsel, these matters are of such a nature that unfavorable disposition would not have a material adverse effect on the financial position, results of operations, or cash flows of the Corporation.

Construction Commitments

As of December 31, 2022, the Corporation had an outstanding commitment for future capital expenditures of approximately \$10,419,000.

Food Service and Retail Commitments

Effective July 25, 2011, the Corporation entered into an agreement with Service Systems Associates (SSA) to conduct food service and retail merchandising operations, which has been amended subsequent to its effective date. Under the agreement, the Corporation receives monthly license fees from SSA based on gross receipts of food and merchandise sold that vary between 15% and 33% depending on the type and level of receipts. SSA also contributes to capital improvements in the food service and retail facilities. As of December 31, 2022, the agreement's term was through October 31, 2030, and the amount committed for capital improvements was approximately \$1,959,000.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from December 31, 2022, through the date the financial statements were available to be issued at June 27, 2023, that would require additional disclosure or adjustment.

SUPPLEMENTARY INFORMATION

**FRESNO'S CHAFFEE ZOO CORPORATION
INVENTORY OF CAPITAL ASSETS
PURCHASED WITH MEASURE Z FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	December 31, 2021	Increases	Decreases	Transfers	December 31, 2022
African Adventure	\$ 57,242,620	\$ -	\$ -	\$ -	\$ 57,242,620
Ambassador Building	3,374,437	-	-	11,713	3,386,150
Birds of Prey	44,944	-	-	-	44,944
Dino Dig	70,000	-	-	-	70,000
Giraffe	57,600	-	-	-	57,600
Hospital-Radiology Unit	49,363	-	-	-	49,363
Infrastructure (SCIP)	2,951,972	-	-	-	2,951,972
Malayan Tiger	35,731	-	-	-	35,731
Reptile House	1,022,168	-	-	-	1,022,168
Safari Café	54,235	-	-	-	54,235
Sea Lion Cove	10,496,712	-	-	-	10,496,712
Spot-Necked Otter/Pelican	200,000	-	-	-	200,000
Stingray Bay	69,474	-	-	-	69,474
Tropical Treasures	35,062	-	-	-	35,062
Utilities	2,153,937	-	-	-	2,153,937
Warthog	2,846,645	-	-	-	2,846,645
Wilderness Falls	3,316,460	-	-	-	3,316,460
Zooplex	-	-	-	12,314,394	12,314,394
Subtotal	<u>84,021,360</u>	<u>-</u>	<u>-</u>	<u>12,326,107</u>	<u>96,347,467</u>
Construction in progress	<u>37,324,509</u>	<u>14,649,662</u>	<u>-</u>	<u>(12,326,107)</u>	<u>39,648,064</u>
Total	<u>\$ 121,345,869</u>	<u>\$ 14,649,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,995,531</u>