

Fresno’s Chaffee Zoo Corporation | Fresno, CA

Financial Statements

For the Years Ended December 31, 2023 and 2022



PRICE PAIGE & COMPANY
Certified Public Accountants

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Changes in Net Assets	7
Statement of Functional Expenses	8
Statements of Cash Flows	9
Notes to the Financial Statements	11
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	30
Notes to the Schedule of Expenditures of Federal Awards.....	31
Inventory of Capital Assets Purchased with Measure Z Funds.....	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	35
Findings and Questioned Costs:	
Schedule of Findings and Questioned Costs	38
Summary Schedule of Prior Audit Findings	39



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2023, 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 Fresno's Chaffee Zoo Corporation as of December 31, 2023, and the changes in its 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

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.

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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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Inventory of Capital Assets Purchased with Measure Z Funds schedule are presented for purposes of additional analysis and are 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 schedule of expenditures of federal awards and Inventory of Capital Assets Purchased with Measure Z Funds schedule are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2024, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Corporation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Price Paige & Company

Clovis, California
June 13, 2024

FINANCIAL STATEMENTS

FRESNO'S CHAFFEE ZOO CORPORATION | DECEMBER 31, 2023

Statement of Financial Position

(With Summarized Financial Information as of December 31, 2022)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2023	2022
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,009,107	\$ 1,196,587	\$ 3,205,694	\$ 3,962,163
Accounts receivable	2,761,745	-	2,761,745	5,793,674
Investments, short term (Note 6)	8,663,455	528,971	9,192,426	8,304,626
Pledges receivable	670,750	-	670,750	20,000
Right of use assets, current (Note 5)	66,514	-	66,514	23,228
Beneficial use of land, current (Note 4)	-	87,575	87,575	87,575
Prepaid expenses	583,634	-	583,634	372,775
Total current assets	14,755,205	1,813,133	16,568,338	18,564,041
Pledges receivable	295,000	-	295,000	87,000
Investments, long term (Note 6)	9,521,775	87,122	9,608,897	8,431,947
Equipment and facilities, net (Note 7)	121,178,221	-	121,178,221	111,022,045
Right of use assets, long term (Note 5)	94,918	-	94,918	62,276
Beneficial use of land, long term (Note 4)	-	5,037,176	5,037,176	5,124,751
Other assets, net	92,162	-	92,162	69,219
Total assets	\$ 145,937,281	\$ 6,937,431	\$ 152,874,712	\$ 143,361,279
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 4,567,172	\$ -	\$ 4,567,172	\$ 6,078,573
Accrued expenses	830,805	-	830,805	743,669
Current maturities of operating lease liabilities (Note 5)	66,514	-	66,514	23,228
Current maturities of finance lease liabilities (Note 5)	28,856	-	28,856	29,319
Deferred revenue (Note 12)	1,652,233	-	1,652,233	1,324,200
Total current liabilities	7,145,580	-	7,145,580	8,198,989
Long-term operating lease liabilities, net (Note 5)	94,918	-	94,918	62,276
Long-term finance lease liabilities, net (Note 5)	4,809	-	4,809	33,665
Total liabilities	7,245,307	-	7,245,307	8,294,930
Net assets:				
Without donor restrictions:				
Undesignated	128,332,303	-	128,332,303	119,189,888
Board designated (Note 10 & 11)	10,359,671	-	10,359,671	9,621,030
Total without donor restrictions	138,691,974	-	138,691,974	128,810,918
With donor restrictions (Note 10 & 11)	-	6,937,431	6,937,431	6,255,431
Total net assets	138,691,974	6,937,431	145,629,405	135,066,349
Total liabilities and net assets	\$ 145,937,281	\$ 6,937,431	\$ 152,874,712	\$ 143,361,279

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

FRESNO'S CHAFFEE ZOO CORPORATION | FOR THE YEAR ENDED DECEMBER 31, 2023
Statement of Activities

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2023	2022
Revenue, support and other income/(expense):				
Revenue:				
Admissions	\$ 7,814,713	\$ -	\$ 7,814,713	\$ 6,843,813
Membership	2,098,631	-	2,098,631	2,346,942
Merchandise, food, and beverage	2,709,357	-	2,709,357	2,356,516
Special events, net of direct expenses of \$1,069,375 and \$929,392	341,880	-	341,880	281,461
Education	1,664,910	-	1,664,910	1,086,080
Sponsorships	<u>220,150</u>	<u>-</u>	<u>220,150</u>	<u>165,500</u>
Total revenue	<u>14,849,641</u>	<u>-</u>	<u>14,849,641</u>	<u>13,080,312</u>
Support:				
Measure Z (for capital projects)	13,784,067	-	13,784,067	14,649,772
Measure Z (for facility operations)	7,599,738	-	7,599,738	6,826,009
Contributions:				
Cash and financial assets	1,933,793	1,905,508	3,839,301	829,293
Nonfinancial assets	<u>171,961</u>	<u>-</u>	<u>171,961</u>	<u>102,429</u>
Total support	<u>23,489,559</u>	<u>1,905,508</u>	<u>25,395,067</u>	<u>22,407,503</u>
Other income/(expense):				
Investment income, net	700,376	2,112	702,488	742,934
Net investment gains (losses)	2,270,429	10,880	2,281,309	(4,506,320)
Paycheck protection program	-	-	-	1,879,418
Loss on disposal of assets	(391,858)	-	(391,858)	(69,723)
Other income	<u>32,291</u>	<u>-</u>	<u>32,291</u>	<u>28,099</u>
Total other income	<u>2,611,238</u>	<u>12,992</u>	<u>2,624,230</u>	<u>(1,925,592)</u>
Total revenues, support and other before net assets released from restrictions	40,950,438	1,918,500	42,868,938	33,562,223
Net assets released from restrictions	<u>1,236,500</u>	<u>(1,236,500)</u>	<u>-</u>	<u>-</u>
Total revenue, support, and other after net assets released from restrictions	<u>42,186,938</u>	<u>682,000</u>	<u>42,868,938</u>	<u>33,562,223</u>
Expenses:				
Program services	27,879,984	-	27,879,984	22,207,415
Supporting services:				
Management and general	3,371,479	-	3,371,479	2,792,032
Fundraising	<u>1,054,419</u>	<u>-</u>	<u>1,054,419</u>	<u>872,967</u>
Total expenses	<u>32,305,882</u>	<u>-</u>	<u>32,305,882</u>	<u>25,872,414</u>
Changes in net assets	<u>\$ 9,881,056</u>	<u>\$ 682,000</u>	<u>\$ 10,563,056</u>	<u>\$ 7,689,809</u>

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

FRESNO'S CHAFFEE ZOO CORPORATION | FOR THE YEAR ENDED DECEMBER 31, 2023

Statement of Changes in Net Assets

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2023	2022
Net assets, beginning of year	\$ 128,810,918	\$ 6,255,431	\$ 135,066,349	\$ 127,376,540
Changes in net assets	<u>9,881,056</u>	<u>682,000</u>	<u>10,563,056</u>	<u>7,689,809</u>
Net assets, ending of year	<u>\$ 138,691,974</u>	<u>\$ 6,937,431</u>	<u>\$ 145,629,405</u>	<u>\$ 135,066,349</u>

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

FRESNO'S CHAFFEE ZOO CORPORATION | FOR THE YEAR ENDED DECEMBER 31, 2023

Statement of Functional Expenses

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Program Services					Supporting Services		Total	
	Animal	Exhibits &	Education &	Membership &	Program	Management &	Fundraising	2023	2022
	Management	Grounds	Conservation	Visitor Services	Subtotal	General			
Advertising	\$ -	\$ -	\$ -	\$ 926,362	\$ 926,362	\$ -	\$ 10,000	\$ 936,362	\$ 730,291
Animal services	607,410	-	-	-	607,410	-	-	607,410	619,783
Bank and credit card fees	113,878	44,848	48,280	82,625	289,631	41,626	13,789	345,046	235,202
Behind the scenes	-	-	2,116	-	2,116	-	-	2,116	1,313
Community support	3,500	-	-	-	3,500	-	-	3,500	2,500
Conservation	-	-	221,309	-	221,309	-	-	221,309	275,981
Contracted services	113,347	189,724	8,400	212,796	524,267	239,576	141,123	904,966	1,137,720
Depreciation and amortization	239,839	6,100,737	65,723	134,682	6,540,981	95,579	17,236	6,653,796	5,056,648
Special exhibit expense	-	-	-	210,317	210,317	-	-	210,317	570,088
Dues and subscriptions	41,875	6,721	7,701	19,166	75,463	9,715	2,487	87,665	67,040
Equipment expense	141,157	274,690	21,386	100,225	537,458	13,998	2,908	554,364	323,994
Fleet expense	42	54,599	318	-	54,959	38	-	54,997	41,134
Food and catering	2,123	1,117	100,008	47,891	151,139	18,484	39,724	209,347	88,375
Insurance	109,377	43,088	46,402	79,547	278,414	39,773	13,258	331,445	250,393
Interest expense	8,163	3,216	3,463	5,937	20,779	2,969	989	24,737	10,521
Information technology	2,025	27,345	1,552	12,313	43,235	464,951	-	508,186	390,143
Lease expense	28,900	11,385	12,261	21,018	73,564	10,508	3,503	87,575	87,575
Mileage, tolls, and parking	639	-	75	137	851	838	106	1,795	1,772
Miscellaneous business expenses	5,607	2,346	2,527	4,332	14,812	3,066	722	18,600	16,158
Office supplies	5,826	492	2,709	7,775	16,802	6,367	365	23,534	37,938
Other expense	6,813	2,684	3,203	4,955	17,655	22,236	1,703	41,594	101,348
Personnel	6,162,233	1,913,064	2,916,591	2,995,737	13,987,625	1,957,541	700,700	16,645,866	12,956,795
Postage	17,105	-	5	11,720	28,830	2,267	3,391	34,488	33,714
Printing	299	70	71	85,716	86,156	3,953	6,625	96,734	55,463
Professional services	164,943	96,572	16,863	40,163	318,541	92,425	4,818	415,784	335,257
Recognition	-	-	78	100	178	1,504	-	1,682	2,765
Recruiting	-	-	-	-	-	60,881	-	60,881	44,354
Repairs and replacements	286,579	469,597	261	19,413	775,850	2,431	75	778,356	415,922
Signage	-	313	118	68,157	68,588	-	-	68,588	44,763
Specialized services	-	2,746	-	1,196	3,942	10,430	16,990	31,362	11,253
Staff development	79,348	4,744	24,456	11,800	120,348	24,530	3,569	148,447	135,014
Supplies	302,396	246,981	98,113	104,837	752,327	5,952	17,146	775,425	611,285
Taxes	345	136	147	251	879	126	42	1,047	3,067
Telephone	35,157	13,820	14,884	25,515	89,376	13,557	4,252	107,185	93,774
Uniforms	335	132	9,613	244	10,324	79,587	41	89,952	19,758
Utilities	403,070	158,785	170,999	293,142	1,025,996	146,571	48,857	1,221,424	1,063,313
Total expenses	\$ 8,882,331	\$ 9,669,952	\$ 3,799,632	\$ 5,528,069	\$ 27,879,984	\$ 3,371,479	\$ 1,054,419	\$ 32,305,882	\$ 25,872,414

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

FRESNO'S CHAFFEE ZOO CORPORATION | FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
 Statements of Cash Flows

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 10,563,056	\$ 7,689,809
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	6,653,796	5,056,648
Net investment (gains) losses	(2,281,309)	4,506,320
Bad debt expense	5,838	-
Loss on disposal	391,858	69,723
Reduction in basis of right-of-use assets	36,430	5,597
Beneficial use of land	87,575	87,575
Forgiveness of paycheck protection program loan	-	(1,853,770)
Donated stock	(57,490)	(50,274)
Changes in assets and liabilities:		
Accounts receivable	3,026,091	1,828,209
Pledges receivable	(858,750)	(79,000)
Prepaid expenses	(210,859)	8,684
Other assets	(34,480)	-
Accounts payable	(1,511,401)	(790,798)
Accrued expenses	87,136	40,180
Operating lease liabilities	(36,430)	(5,597)
Deferred revenue	328,033	51,695
	<u>16,189,094</u>	<u>16,565,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and facilities	(17,190,293)	(15,538,204)
Purchase of investments	(1,458,028)	(3,033,247)
Proceeds from sale of investments	<u>1,732,077</u>	<u>449,020</u>
	<u>(16,916,244)</u>	<u>(18,122,431)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	2,250,000	-
Payments on line of credit	(2,250,000)	-
Principal payments on finance leases	<u>(29,319)</u>	<u>(28,393)</u>
	<u>(29,319)</u>	<u>(28,393)</u>
Net cash and cash equivalents used for investing activities		
Net cash and cash equivalents used for financing activities	<u>(29,319)</u>	<u>(28,393)</u>
Net change in cash and cash equivalents	(756,469)	(1,585,823)
Cash and cash equivalents, beginning of year	<u>3,962,163</u>	<u>5,547,986</u>
Cash and cash equivalents, end of year	<u>\$ 3,205,694</u>	<u>\$ 3,962,163</u>
Supplemental cash flow information:		
Non-cash transactions:		
Donated materials and services	<u>\$ 171,961</u>	<u>\$ 102,429</u>
Donated stock	<u>\$ 57,490</u>	<u>\$ 50,274</u>
Right-of-use assets	<u>\$ 112,358</u>	<u>\$ 91,101</u>
Transfer of construction in progress to equipment and facilities	<u>\$ 46,820,799</u>	<u>\$ 12,336,375</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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 Financial Position, 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, 2022, from which the summarized information was derived.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure Z (Continued)

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.

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, certificates of deposit, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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.

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, 2023 and 2022, the Corporation considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

Accounts receivable consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Accounts receivable, trade	\$ 261,857	\$ 239,677
Grants receivable	42,109	-
Measure Z receivables	1,999,724	3,551,364
Other receivables	<u>458,055</u>	<u>2,002,633</u>
Total accounts receivable	<u>\$ 2,761,745</u>	<u>\$ 5,793,674</u>

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, 2023 and 2022, the Corporation considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

Amounts due from pledges receivable are as follows at December 31, 2023:

Less than one year	\$ 670,750
One to five years	245,000
More than five years	<u>50,000</u>
Total pledges receivable	<u>\$ 965,750</u>

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2023 and 2022, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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 \$936,362 and \$730,291 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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.

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 \$4,000,000 and \$4,063,000 at December 31, 2023 and 2022, 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, 2022.

See Independent Auditor's Report.

FRESNO'S CHAFFEE ZOO CORPORATION | DECEMBER 31, 2023 AND 2022

Notes to the Financial Statements

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	
			2023	2022
Ambassador Animal Center	\$ -	\$ -	\$ -	\$ 11,713
Conservation Building	-	1,075,849	1,075,849	-
Energy Efficiency	-	1,037,674	1,037,674	345,891
Kingdoms of Asia	222,730	4,723,790	4,946,520	11,340,795
Miscellaneous	-	-	-	2,886
Kingdoms of Asia Phase II	22,470	5,261,965	5,284,435	245,397
SLC Biotank	(811)	1,067,501	1,066,690	353,902
Zooplex Building	-	372,769	372,769	2,349,078
	244,389	13,539,548	13,783,937	14,649,662
Bank and credit card fees	130	-	130	110
Total	\$ 244,519	\$ 13,539,548	\$ 13,784,067	\$ 14,649,772

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

	2023	2022
Animal services and supplies	\$ 642,728	\$ 526,690
Personnel:		
Animal care	4,095,000	3,955,000
Commissary	308,000	205,000
Maintenance and horticulture	1,180,000	728,690
Veterinary	388,000	448,019
Water quality supplies	80,000	87,500
Utilities	905,880	875,000
	7,599,608	6,825,899
Bank and credit card fees	130	110
Total	\$ 7,599,738	\$ 6,826,009

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, 2023 and 2022, 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 ending December 31 are as follows:

2024	\$	87,575
2025		87,575
2026		87,575
2027		87,575
2028		87,575
2028 and thereafter		<u>4,686,876</u>
Total	\$	<u>5,124,751</u>

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>
2024	\$ 66,514	\$ 28,856
2025	58,089	4,809
2026	20,417	-
2027	<u>16,412</u>	<u>-</u>
Total	<u>\$ 161,432</u>	<u>\$ 33,665</u>

Total expense associated with these leases for the years ended December 31, 2023 and 2022, was \$65,749 and \$33,992, respectively, and has been included with equipment expense in the statement of functional expenses.

NOTE 6 – INVESTMENTS

Investments, at fair value, for the years ended December 31, 2023 and 2022, are as follows:

Investment type:	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2023	2022
Mutual funds	\$ 18,185,230	\$ 616,093	\$ 18,801,323	\$ 16,736,573

The components of investment return for the years ended December 31, 2023 and 2022, are as follows:

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2023	2022
Investment income	\$ 722,903	\$ 2,317	\$ 725,220	\$ 793,979
External and direct internal fees	(22,527)	(205)	(22,732)	(51,045)
Investment income, net	700,376	2,112	702,488	742,934
Net investment gains (losses)	2,270,429	10,880	2,281,309	(4,506,320)
Total	\$ 2,970,805	\$ 12,992	\$ 2,983,797	\$ (3,763,386)

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, 2023 and 2022, 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.

NOTE 6 – INVESTMENTS (Continued)

The following table provides information about the Corporation's financial assets measured at fair value on a recurring basis as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment type:				
Mutual funds	<u>\$ 18,801,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,801,323</u>

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>

There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2023 and 2022, respectively.

NOTE 7 – EQUIPMENT AND FACILITIES

Equipment and facilities consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Buildings, exhibits and improvements	\$ 148,615,252	\$ 102,044,158
Finance right to use assets	146,134	146,134
Furniture and fixtures	148,488	148,488
Transportation and equipment	<u>3,290,177</u>	<u>2,771,644</u>
Subtotal	152,200,051	105,110,424
Less accumulated depreciation and amortization	<u>(41,427,963)</u>	<u>(35,186,485)</u>
	110,772,088	69,923,939
Land	705,450	705,450
Construction in progress	<u>9,700,683</u>	<u>40,392,656</u>
Total equipment and facilities, net	<u>\$ 121,178,221</u>	<u>\$ 111,022,045</u>

Total depreciation and amortization expense for the years ended December 31, 2023 and 2022, was \$6,653,796 and \$5,056,648, respectively.

NOTE 8 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Corporation’s financial assets as of December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,205,694	\$ 3,962,163
Accounts receivable	2,761,745	5,793,674
Investments	9,192,426	8,304,626
Current portion of pledges receivable	<u>670,750</u>	<u>20,000</u>
Total financial assets as of December 31	<u>15,830,615</u>	<u>18,080,463</u>
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Donor restricted - specific purpose	1,725,559	958,975
Capital project funds retained in money market account	624,195	2,694,662
Construction contracts payable	642,479	546,611
Board designations:		
Board designated - specific purpose	<u>542,896</u>	<u>1,263,213</u>
Total amounts not available to be used within one year	<u>3,535,129</u>	<u>5,463,461</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,295,486</u>	<u>\$ 12,617,002</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.

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 (8.00% and 5.75% at December 31, 2023 and 2022, respectively). At December 31, 2023 and 2022, there was no outstanding balance on the margin loan. Maximum borrowings on the margin loan were not to exceed \$5,643,543 and \$4,948,743 at December 31, 2023 and 2022, 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.

NOTE 9 – DEBT OBLIGATIONS (Continued)

Promissory Note (Continued)

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.

NOTE 10 – NET ASSETS

Net assets consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Without donor restrictions:		
Undesignated	\$ 128,332,303	\$ 119,189,888
Board designated - specific purposes	837,896	1,263,213
Board designated - endowment	<u>9,521,775</u>	<u>8,357,817</u>
 Total without donor restrictions	 <u>138,691,974</u>	 <u>128,810,918</u>
With donor restrictions:		
Donor restricted - specific purposes	6,850,309	6,181,301
Donor restricted - endowment	<u>87,122</u>	<u>74,130</u>
 Total with donor restrictions	 <u>6,937,431</u>	 <u>6,255,431</u>
 Total net assets	 <u>\$ 145,629,405</u>	 <u>\$ 135,066,349</u>

NOTE 10 – NET ASSETS (Continued)

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, 2023:

	December 31, 2022	Increases	Decreases	December 31, 2023
Development	\$ 860,853	\$ -	\$ (465,204)	\$ 395,649
Endowment	112,000	467,657	(162,657)	417,000
Infrastructure - exhibits	199,364	-	(174,117)	25,247
Veterinary	90,996	-	(90,996)	-
	<u>\$ 1,263,213</u>	<u>\$ 467,657</u>	<u>\$ (892,974)</u>	<u>\$ 837,896</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, 2023:

	December 31, 2022	Increases	Decreases	December 31, 2023
Beneficial use of land	\$ 5,212,326	\$ -	\$ (87,575)	\$ 5,124,751
Endowment	74,130	12,992	-	87,122
Conservation and enrichment	62,128	1,173,003	(280,718)	954,413
Education	27,555	875	(10,810)	17,620
Infrastructure - exhibits	603,728	731,630	(792,878)	542,480
Infrastructure - public	275,564	-	(64,519)	211,045
	<u>\$ 6,255,431</u>	<u>\$ 1,918,500</u>	<u>\$ (1,236,500)</u>	<u>\$ 6,937,431</u>

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.

NOTE 11 – ENDOWMENT (Continued)

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.

Endowment net asset composition by type of fund as of December 31, 2023, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 87,122	\$ 87,122
Board-designated endowment funds	9,521,775	-	9,521,775
 Total	 \$ 9,521,775	 \$ 87,122	 \$ 9,608,897

NOTE 11 – ENDOWMENT (Continued)

Spending Policy (Continued)

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

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

Changes in endowment net assets for the years ended December 31, 2023 and 2022, respectively, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of December 31, 2021	\$ 10,130,723	\$ 91,953	\$ 10,222,676
Investment return:			
Investment income, net	392,016	3,166	395,182
Net investment gains, realized and unrealized	(2,355,618)	(20,989)	(2,376,607)
Total investment return	(1,963,602)	(17,823)	(1,981,425)
Contributions	341,696	-	341,696
Appropriation for expenditure	(151,000)	-	(151,000)
Endowment net assets as of December 31, 2022	8,357,817	74,130	8,431,947
Investment return:			
Investment income, net	231,000	2,112	233,112
Net investment gains, realized and unrealized	1,196,552	10,880	1,207,432
Total investment return	1,427,552	12,992	1,440,544
Contributions	102,906	-	102,906
Appropriation for expenditure	(366,500)	-	(366,500)
Endowment net assets as of December 31, 2023	<u>\$ 9,521,775</u>	<u>\$ 87,122</u>	<u>\$ 9,608,897</u>

NOTE 12 – CONTRACTS WITH CUSTOMERS

For the years ended December 31, 2023 and 2022, revenue recognized from performance obligations satisfied at a point in time consisting of admissions, merchandise, concessions, and education was \$13,820,385 and \$11,662,762, respectively. For the years ended December 31, 2023 and 2022, revenue recognized from performance obligations satisfied over a period of time consisting of memberships was \$2,098,631 and \$2,346,942, respectively. The total amount of revenue recognized for contracts with customers for the years ended December 31, 2023 and 2022, was \$15,919,016 and \$14,009,704, respectively.

Contract assets include accounts receivable arising from contracts from customers in the amounts of \$261,857, \$239,677, and \$38,241 at December 31, 2023, 2022, and 2021, respectively.

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

	<u>2023</u>	<u>2022</u>
Deferred revenue, beginning of year	\$ 1,324,200	\$ 1,272,505
Revenue recognized that was included in deferred revenue at the beginning of year	(1,324,200)	(1,272,505)
Increase in deferred revenue due to cash received during the period	<u>1,652,233</u>	<u>1,324,200</u>
Deferred revenue, end of year	<u>\$ 1,652,233</u>	<u>\$ 1,324,200</u>

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2023</u>	<u>2022</u>
Capital assets	\$ -	\$ 65,063
Equipment and supplies	1,500	1,630
Food and catering	16,193	9,260
Goods	114,383	26,476
Professional services	<u>39,885</u>	<u>-</u>
Total contributed nonfinancial assets	<u>\$ 171,961</u>	<u>\$ 102,429</u>

NOTE 14 – 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, 2023 and 2022, were \$216,561 and \$175,493, respectively.

NOTE 15 – 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, 2023, the Corporation had an outstanding commitment for future capital expenditures of approximately \$1,292,000.

Contingencies

The Corporation is currently in discussions with the Fresno County Zoo Authority (the Zoo Authority) regarding the potential reimbursement of Measure Z capital expenditure funds previously provided to the Corporation for projects that are on hold or will no longer continue. The Corporation believes that all funds received from the Measure Z funding have been appropriately incurred and utilized in accordance with the terms of their agreement. A liability due to the Zoo Authority will be recognized when a legal agreement is reached regarding the amount and terms of repayment. No agreement has been reached at this time.

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, 2023, the agreement's term was through October 31, 2030, and the amount committed for capital improvements was approximately \$513,000.

NOTE 16 – CAPTIVE INSURANCE PROGRAM

The Corporation is a member in Union Re Holdings, LLC., a Tennessee domiciled holding company. Union Re Holdings, LLC. was formed to participate as a re-insurer in a commercial insurance program to provide workers' compensation insurance. The Corporation incurs annual policy premium expenses, which are included in the accompanying statement of functional expense. Each year, Union Re Holdings, LLC. calculates the actuarial risk-based performance of each member and values the member's accounts. As a member of Union Re Holdings, LLC., the Corporation is subject to sharing the risk of liabilities arising from other members exceeding their insurance reserves. Any profits from the valuation are returned to the Corporation and are included in the accompanying statement of activities. For the years ended December 31, 2023 and 2022, there were no profits allocated.

NOTE 16 – CAPTIVE INSURANCE PROGRAM (Continued)

The Corporation has a security collateral obligation, which is comprised of a standby letter of credit issued by the Corporation's bank and cash as follows at December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 34,480	\$ 34,480
Standby letter of credit	<u>139,658</u>	<u>-</u>
Total	<u>\$ 174,138</u>	<u>\$ 34,480</u>

The cash portion of the security collateral obligation is included in other assets, net, on the statement of financial position.

During 2024, the Corporation's security collateral obligation increased to \$244,111, resulting in an increase of \$69,973 to the Corporation's standby letter of credit.

NOTE 17 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2023, the Corporation received a pledge of \$300,000 and contributed nonfinancial assets of \$64,250 from a single board member. The Corporation did not have related party transactions requiring disclosure for the year ended December 31, 2022.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from December 31, 2023, through the date the financial statements were available to be issued at June 13, 2024, that would require additional disclosure or adjustment.

SUPPLEMENTARY INFORMATION

FRESNO'S CHAFFEE ZOO CORPORATION | FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule of Expenditures of Federal Awards

Federal Grantor/Program Title Grantor/Program or Cluster Title	Federal Assistance Listing Number		Pass-Through Grantor's Number	Total Federal Expenditures
<u>United States Department of the Interior</u>				
Central Valley Project Improvement Act	15.648	*	N/A	\$ 495,795
Central Valley Project Conservation	15.564		N/A	255,280
Total United States Department of the Interior				751,075
Total Expenditures of Federal Awards				\$ 751,075

**Denotes a major program per Uniform Guidance.*

See the accompanying notes to the schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the Fresno's Chaffee Zoo Corporation (the Corporation) for the year ended December 31, 2023. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 2 of the Corporation's financial statements.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the Corporation's financial statements.

NOTE 4 – INDIRECT COST RATE

The Corporation has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 5 – PASS-THROUGH ENTITY IDENTIFYING NUMBER

The SEFA will reflect an identifying number for federal awards received from a pass-through entity. An identifying number will not be reflected when the Corporation determines no identifying number has been assigned for the program or the Corporation was unable to obtain from the pass-through entity. The Corporation received no pass-through federal awards for the year ended December 31, 2023.

FRESNO'S CHAFFEE ZOO CORPORATION | FOR THE YEAR ENDED DECEMBER 31, 2023

Inventory of Capital Assets Purchased with Measure Z Funds

	December 31, 2022	Increases	Decreases	Transfers	December 31, 2023
African Adventure	\$ 57,242,620	\$ -	\$ -	\$ -	\$ 57,242,620
Ambassador Building	3,386,150	-	(11,713)	-	3,374,437
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
Kingdoms of Asia	-	-	-	42,425,570	42,425,570
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	-	(10,340)	1,426,843	11,913,215
Spot-Necked Otter/Pelican	200,000	-	(200,000)	-	-
Stingray Bay	69,474	-	-	-	69,474
Tropical Treasures	35,062	-	-	-	35,062
Utilities	2,153,937	-	-	1,383,565	3,537,502
Warthog	2,846,645	-	-	-	2,846,645
Wilderness Falls	3,316,460	-	-	-	3,316,460
Zooplex	12,314,394	-	-	372,769	12,687,163
Subtotal	96,347,467	-	(315,384)	45,608,747	141,640,830
Construction in progress	39,648,064	13,783,937	-	(45,608,747)	7,823,254
Total	<u>\$ 135,995,531</u>	<u>\$ 13,783,937</u>	<u>\$ (315,384)</u>	<u>\$ -</u>	<u>\$ 149,464,084</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fresno's Chaffee Zoo Corporation (the Corporation), a nonprofit organization, which comprise the statement of financial position as of December 31, 2023, 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, and have issued our report thereon dated June 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Price & Company

Clovis, California

June 13, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fresno's Chaffee Zoo Corporation's (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2023. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and

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therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Clovis, California
June 13, 2024

FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a) _____ Yes X No

Identification of Major Programs

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
15.648	Central Valley Project Improvement Act

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS

None reported.