



**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

GREATER LOS ANGELES ZOO ASSOCIATION

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June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Greater Los Angeles Zoo Association

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Los Angeles Zoo Association (the "Association"), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As disclosed in Note 3 to the financial statements, in 2018, the Association adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Singer Lewak LLP".

November 14, 2019

GREATER LOS ANGELES ZOO ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS		2019	2018
Assets			
Cash and cash equivalents	\$	11,136,610	\$ 7,298,527
Accounts receivable		438,773	522,669
Accounts receivable – Los Angeles Zoo		1,364,057	1,281,682
Promises to give and grants receivable, net		2,136,402	2,452,769
Beneficial interest in perpetual trusts		137,574	137,654
Property and equipment, net		367,909	353,356
Prepaid expenses and other assets		614,055	357,228
Endowment investments		23,775,600	23,204,631
Total assets	\$	39,970,980	\$ 35,608,516
LIABILITIES AND NET ASSETS			
Liabilities			
Salaries and benefits payable	\$	328,035	\$ 503,592
Accounts payable and accrued expenses – general		656,358	520,889
Accounts payable and accrued expenses – Los Angeles Zoo		605,225	528,235
Deferred revenue		296,257	36,225
Capital leases		14,279	24,610
Total liabilities		1,900,154	1,613,551
Net assets			
Without donor restrictions			
Undesignated		4,508,505	3,555,323
Board designated for endowment		19,664,713	19,368,030
		24,173,218	22,923,353
With donor restrictions			
Purpose and time restrictions		11,661,201	8,840,120
Perpetual in nature		2,236,407	2,231,492
		13,897,608	11,071,612
Total net assets		38,070,826	33,994,965
Total liabilities and net assets	\$	39,970,980	\$ 35,608,516

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

GREATER LOS ANGELES ZOO ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and returns			
Membership dues	\$ 6,229,909	\$ -	\$ 6,229,909
Contributions and grants	3,616,124	3,514,210	7,130,334
Special events, net	917,456	-	917,456
Concessions commissions and site rentals	3,260,148	-	3,260,148
Exhibitions and ticketed events	4,579,239	-	4,579,239
Admissions revenue share	1,364,057	-	1,364,057
Net investment return	1,027,182	354,278	1,381,460
Net unrealized loss on beneficial interest in perpetual trusts	-	(80)	(80)
Other revenue	41,093	-	41,093
Net assets released from restrictions	<u>1,042,412</u>	<u>(1,042,412)</u>	<u>-</u>
Total revenue, support, and returns	<u>22,077,620</u>	<u>2,825,996</u>	<u>24,903,616</u>
Expenses			
Program services			
Los Angeles Zoo and Botanical Gardens	8,056,931	-	8,056,931
Greater Los Angeles Zoo Association	<u>9,286,361</u>	<u>-</u>	<u>9,286,361</u>
Total program services	17,343,292	-	17,343,292
Supporting services			
General and administrative	1,929,170	-	1,929,170
Fundraising	<u>1,555,293</u>	<u>-</u>	<u>1,555,293</u>
Total supporting services	3,484,463	-	3,484,463
Total expenses	<u>20,827,755</u>	<u>-</u>	<u>20,827,755</u>
Change in net assets	1,249,865	2,825,996	4,075,861
Net assets, beginning of year	<u>22,923,353</u>	<u>11,071,612</u>	<u>33,994,965</u>
Net assets, end of year	<u>\$ 24,173,218</u>	<u>\$ 13,897,608</u>	<u>\$ 38,070,826</u>

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

GREATER LOS ANGELES ZOO ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and returns			
Membership dues	\$ 5,996,674	\$ -	\$ 5,996,674
Contributions and grants	2,945,271	1,934,823	4,880,094
Special events, net	1,248,099	-	1,248,099
Concessions commissions and site rentals	3,131,369	-	3,131,369
Exhibitions and ticketed events	4,578,099	-	4,578,099
Admissions revenue share	1,281,682	-	1,281,682
Net investment return	737,769	302,615	1,040,384
Net unrealized gain on beneficial interest in perpetual trusts	-	3,171	3,171
Other revenue	43,650	-	43,650
Net assets released from restrictions	1,011,970	(1,011,970)	-
Total revenue, support, and returns	20,974,583	1,228,639	22,203,222
Expenses			
Program services			
Los Angeles Zoo and Botanical Gardens	7,455,870	-	7,455,870
Greater Los Angeles Zoo Association	8,631,855	-	8,631,855
Total program services	16,087,725	-	16,087,725
Supporting services			
General and administrative	1,865,566	-	1,865,566
Fundraising	1,564,155	-	1,564,155
Total supporting services	3,429,721	-	3,429,721
Total expenses	19,517,446	-	19,517,446
Change in net assets	1,457,137	1,228,639	2,685,776
Net assets, beginning of year	21,466,216	9,842,973	31,309,189
Net assets, end of year	\$ 22,923,353	\$ 11,071,612	\$ 33,994,965

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

GREATER LOS ANGELES ZOO ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services			General and Administration	Fundraising	Total
	Los Angeles Zoo & Botanical Gardens	Greater Los Angeles Zoo Association	Total Program			
Payments to Los Angeles Zoo	\$ 6,105,513	\$ -	\$ 6,105,513	\$ -	\$ -	\$ 6,105,513
Salaries, benefits, and taxes	-	3,198,757	3,198,757	1,312,889	1,077,356	5,589,002
Advertising and marketing	-	1,318,306	1,318,306	-	6,991	1,325,297
Conservation donations	180,460	-	180,460	-	-	180,460
Credit card and bank fees	-	225,805	225,805	24,801	13,096	263,702
Depreciation	-	37,716	37,716	125,542	-	163,258
Direct benefits to donors	-	-	-	-	231,615	231,615
Donor and member cultivation and events	-	888,354	888,354	-	111,782	1,000,136
Event costs	-	1,834,379	1,834,379	-	142,849	1,977,228
Exhibit construction and maintenance	506,431	-	506,431	-	-	506,431
Insurance and workers' compensation	-	280,550	280,550	41,000	14,030	335,580
Other expenses	336,878	68,248	405,126	88,394	31,670	525,190
Office, IT, and postage	-	627,153	627,153	126,253	52,346	805,752
Printing and signage	-	333,331	333,331	163	41,398	374,892
Professional services	287,966	437,644	725,610	198,347	58,362	982,319
Supplies, equipment, and repairs	469,603	-	469,603	-	-	469,603
Travel, entertainment, and meetings	170,080	36,118	206,198	11,781	5,413	223,392
Total expense by function	8,056,931	9,286,361	17,343,292	1,929,170	1,786,908	21,059,370
Less expenses included with revenues on the statement of activities						
Direct benefits to donors	-	-	-	-	(231,615)	(231,615)
Total expenses included in the expense section on the statement of activities	\$ 8,056,931	\$ 9,286,361	\$ 17,343,292	\$ 1,929,170	\$ 1,555,293	\$ 20,827,755

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

GREATER LOS ANGELES ZOO ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services			General and Administration	Fundraising	Total
	Los Angeles Zoo & Botanical Gardens	Greater Los Angeles Zoo Association	Total Program			
Payments to Los Angeles Zoo	\$ 6,148,807	\$ -	\$ 6,148,807	\$ -	\$ -	\$ 6,148,807
Salaries, benefits, and taxes	-	2,915,981	2,915,981	1,296,608	1,115,287	5,327,876
Advertising and marketing	-	1,054,298	1,054,298	-	4,105	1,058,403
Conservation donations	217,000	-	217,000	-	-	217,000
Credit card and bank fees	-	196,536	196,536	32,231	11,186	239,953
Depreciation	-	61,433	61,433	82,481	-	143,914
Direct benefits to donors	-	-	-	-	276,258	276,258
Donor and member cultivation and events	-	788,473	788,473	-	108,280	896,753
Event costs	-	1,693,356	1,693,356	-	199,807	1,893,163
Exhibit construction and maintenance	250,025	-	250,025	-	-	250,025
Insurance and workers' compensation	-	235,335	235,335	78,767	7,129	321,231
Other expenses	209,337	124,112	333,449	114,224	25,499	473,172
Office, IT, and postage	-	586,969	586,969	151,107	41,210	779,286
Printing and signage	-	542,010	542,010	3,027	34,327	579,364
Professional services	217,897	382,747	600,644	85,955	6,408	693,007
Supplies, equipment, and repairs	276,182	-	276,182	-	-	276,182
Travel, entertainment, and meetings	136,622	50,605	187,227	21,166	10,917	219,310
Total expense by function	7,455,870	8,631,855	16,087,725	1,865,566	1,840,413	19,793,704
Less expenses included with revenues on the statement of activities						
Direct benefits to donors	-	-	-	-	(276,258)	(276,258)
Total expenses included in the expense section on the statement of activities	\$ 7,455,870	\$ 8,631,855	\$ 16,087,725	\$ 1,865,566	\$ 1,564,155	\$ 19,517,446

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

GREATER LOS ANGELES ZOO ASSOCIATION

STATEMENTS OF CASH FLOWS Year Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ 4,075,861	\$ 2,685,776
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Endowment contributions received	-	(109,531)
Net investment income	(787,282)	(680,601)
Loss on disposal of fixed assets	2,193	-
Depreciation expense	163,258	143,914
Changes in operating assets and liabilities:		
Accounts receivable	1,521	269,164
Promises to give and grants receivable	316,367	(569,316)
Beneficial interest in perpetual trusts	80	(3,171)
Other assets	(256,827)	(103,022)
Accounts payable and accrued expenses	(40,088)	(1,068,289)
Accounts payable and accrued expenses – Los Angeles Zoo	76,990	(27,534)
Deferred revenue	260,032	(174,280)
	3,812,105	363,110
Cash flows from investing activities		
Proceeds from sales of investments	438,101	501,444
Purchases of investments	(221,788)	(334,520)
Purchases of equipment and leasehold improvements	(180,004)	(103,506)
	36,309	63,418
Cash flows from financing activities		
Principal payments on capital lease obligations	(10,331)	(11,454)
Endowment contributions received	-	109,531
	(10,331)	98,077
Net increase in cash and cash equivalents	3,838,083	524,605
Cash and cash equivalents, beginning of year	7,298,527	6,773,922
Cash and cash equivalents, end of year	\$ 11,136,610	\$ 7,298,527
Supplemental disclosure of cash flow information		
Capital lease assumed to finance addition of property and equipment	\$ -	\$ 19,200

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

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – ORGANIZATION

General

The Greater Los Angeles Zoo Association (GLAZA) is a tax-exempt charitable organization, established for the purpose of developing, beautifying, and improving the Los Angeles Zoo and Botanical Gardens (Zoo). This is accomplished by providing financial and mission support to the Zoo and its programs, raising public awareness about the Zoo, enhancing the visitor experience, and stewarding the investments of visitors, members, and donors.

GLAZA operates under various agreements with the City of Los Angeles (City) as detailed below.

Operating Agreement

The City entered into an Operating Agreement with GLAZA for the purposes of obtaining assistance in establishing, developing, beautifying, and improving the Zoo. The Operating Agreement was executed on September 29, 1997 and expires September 29, 2022. Under Section III of this agreement, the City and GLAZA establish several Memorandum of Understanding (MOUs) to identify specific programs and financial obligations.

Membership MOU

Under this MOU, GLAZA manages the Zoo's membership program. Fees collected from members are used to fund department expenses, as well as support expenses for volunteer and docent programs, publications, and website management. The current MOU expired June 30, 2018. The City and GLAZA are currently in the process of negotiating the terms of a new MOU to be effective retroactive to July 1, 2018. The City and GLAZA will continue to operate under the terms of the expired MOU until the new MOU is executed.

Per Section VII of the Operating Agreement, GLAZA remits to the Zoo 25% of membership fees received, plus the net surplus (if any) after department expenses are paid.

Concession Agreement

The Concession Agreement grants GLAZA the exclusive right to operate and maintain all approved concessions on Zoo premises. The fifth amendment to the Operating Agreement extends the term of the Concession Agreement to August 16, 2019.

In May 2019, GLAZA and the City executed the 6th amendment to the Operating Agreement, effective July 1, 2019. This amendment terminates and replaces the Concession Agreement and future concession MOUs, which now become part of the Operating Agreement and expire concurrently. This new amendment grants GLAZA the right to enter into a concession services agreement with a concessionaire for a ten-year period, with a five-year option to extend.

GLAZA is working in good faith with a new concessionaire, Service Systems Associates, Inc. (SSA), to finalize an agreement to become effective August 29, 2019. GLAZA may be responsible for reimbursing the previous Concessionaire for their unamortized capital investment of \$120,157.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – ORGANIZATION (Continued)

Concession Agreement (Continued)

Per the Concession Agreement and Concession Services Agreement, GLAZA pays the Zoo 10% of gross commissionable revenue generated by the concessionaire. The net remainder of commissions is made available for the Zoo's discretionary expenditure.

Financial Assistance, Special Events, and Community Affairs MOU

Under this MOU, terms are established for raising unrestricted, restricted and endowment funds. It also establishes parameters for funding a special events department and for funding conservation donations made at the Zoo's discretion. The current MOU expired June 30, 2018. The City and GLAZA are currently in the process of negotiating the terms of a new MOU to be effective retroactive to July 1, 2018. The City and GLAZA will continue to operate under the terms of the expired MOU until the new MOU is executed.

Marketing and Public Relations, and Site Rentals and Catered Events MOU

This MOU specifies GLAZA will provide marketing, public relations, and strategic branding services for the Zoo. It also stipulates GLAZA will oversee site rentals for private events and execution of night-time ticketed events to generate additional revenue. The current MOU expired June 30, 2018. The City and GLAZA are currently in the process of negotiating the terms of a new MOU to be effective retroactive to July 1, 2018. The City and GLAZA will continue to operate under the terms of the expired MOU until the new MOU is executed. Under terms of the Marketing MOU, GLAZA may receive a rebate of admissions revenue and night-time ticketed event proceeds if fiscal year admissions targets are achieved by the Zoo. Per the Marketing MOU, all proceeds from ticketed events are paid to the Zoo. In addition, 10% of site rental fees and catering sales are paid to the Zoo, plus an additional 3.5% is made available for the Zoo's discretionary expenditure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

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 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.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

GLAZA considers all cash and highly liquid financial instruments with original maturities of three months or less from purchase and money market mutual funds, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes, and governing board designations are excluded from this definition.

Accounts Receivable

Accounts receivable consist primarily of non-interest-bearing amounts due for services provided to the Zoo and concessions commissions. An allowance for uncollectible accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management assessed the accounts receivable balances at June 30, 2019 and 2018 and determined no adjustment to the allowance was necessary.

Promises to Give and Grants Receivable

GLAZA records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. GLAZA determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

Property and Equipment

Property and equipment purchased by, or constructed for, GLAZA are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets (3 – 7 years depending on property type), or in the case of capitalized leasehold improvements, the lesser of the useful life of the asset or the lease term.

Property and equipment purchased or constructed for the Zoo are expensed as a program service. Such acquisitions are conveyed to the Zoo for their use.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Perpetual Trusts

Donors have established and funded trusts and endowments, which are administered and controlled by the California Community Foundation. Under the terms of these arrangements, GLAZA has the irrevocable right to receive all, or a portion of, the income earned on the trusts and endowments in perpetuity. GLAZA recognizes its beneficial interest in these trusts and endowments as net assets with donor restrictions, based on the discounted cash flows of expected income to be received. Distributions of investment income from these trusts and endowments are recorded as contributions in the statements of activities as an increase in net assets without donor restrictions. Changes in the value of the beneficial interest on these trusts and endowments are recorded as change in fair value of beneficial interest in perpetual trusts in the statements of activities.

Investments

GLAZA records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, and external investment expenses.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Concessions revenue, which is included in concessions and site rentals, is accrued based upon a percentage, between 12 – 50% depending on product or service type, of gross receipts reported by the Concessionaire.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$1,325,297 and for \$1,058,403 during the years ended June 30, 2019 and 2018.

Volunteer Services

Volunteers donate their time on behalf of various GLAZA and Zoo activities. GLAZA does not record the value of these services, as they do not meet the recognition criteria prescribed by U.S. GAAP.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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

- Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment.

- Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that 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. Donor-restricted contributions received and expended in the same reporting period are recorded as net assets without donor restrictions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses detail the expenses by nature and function. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based upon reasonable estimates of the amounts used by each program. The expenses that are allocated include insurance and copier charges. Salaries, taxes, and benefits for certain executive management are allocated based on estimated time studies.

Income Taxes

GLAZA is organized as a not-for-profit organization exempt from income taxes under the Internal Revenue Code §501(c)(3), and from franchise taxes under §23710(d) of the California Revenue and Taxation Code, except with respect to any unrelated business income. Management has analyzed the tax positions taken by GLAZA, and has concluded that, as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. GLAZA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

GLAZA manages deposit concentration risk by placing its cash and cash equivalents with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, GLAZA has not experienced any losses in its cash and cash equivalents. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Trustees, governmental agencies, and foundations supportive of GLAZA's mission. Investments are made by diversified investment managers whose performance is monitored by management and the finance committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the finance committee believe that the investment policies and guidelines are prudent for the long-term welfare of GLAZA.

Impairment of Long-lived Assets

GLAZA reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of June 30, 2019 and 2018, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. The statements of financial position and statements of activities were reclassified to present financial activity in the new format described in Footnote 3 – Change in Accounting Principle.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it is expected to be entitled in exchange for those goods or services. FASB also issued several updates to ASU 2014-09. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures. GLAZA has substantially completed its assessment of the new standard and it does not expect the impact of adoption to be material to the its financial statements. GLAZA continues to evaluate the disclosure requirements related to the new standard.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In May 2017, FASB issued ASU 2017-10, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Service*. ASU 2017-10 provides guidance on how to address diversity in practice on how an operating entity determines the customer in service concession arrangements. ASU 2017-10 is effective for annual periods beginning after December 15, 2018. GLAZA is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As the Association is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after June 15, 2018, including interim periods. Where the Association is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The Association is currently evaluating the impact of the adoption of this guidance on its financial statements. The adoption of ASU 2018-08 is not expected to have a material impact on the Association's consolidated financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the FASB issued ASU 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it represents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions.

ASU 2016-14 is effective for annual periods beginning after December 15, 2017. GLAZA adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. GLAZA has opted to not disclose liquidity and availability information for 2018, as permitted under the ASU in the year of adoption. In addition, GLAZA changed its presentation of net asset classes and expanded the footnote disclosures as required by the ASU.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE (Continued)

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 follows:

	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Net assets classifications, as previously presented			
Unrestricted	\$ 22,923,353	\$ -	\$ 22,923,353
Temporarily restricted	-	8,840,120	8,840,120
Permanently restricted	-	<u>2,231,492</u>	<u>2,231,492</u>
Net assets, as reclassified	<u>\$ 22,923,353</u>	<u>\$11,071,612</u>	<u>\$ 33,994,965</u>

NOTE 4 – FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets carried at fair value are required to be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs that are not corroborated by market data

GLAZA’s investments are reflected at fair value based on quoted market prices. GLAZA’s beneficial interest in perpetual trusts is shown at the net present value of the future benefits expected to be received.

GREATER LOS ANGELES ZOO ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 4 – FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

As of June 30, 2019 and 2018, GLAZA's financial instruments measured on a recurring basis were classified by level within the valuation hierarchy as follows:

	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Endowment investments				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 213,743
U.S. Treasuries	6,870,035	-	-	6,870,035
Money market mutual funds	2,322,959	-	-	2,322,959
Equity mutual funds	13,239,915	-	-	13,239,915
Equities	1,128,948	-	-	1,128,948
	23,561,857	-	-	23,775,600
Beneficial interest in perpetual trusts	-	-	137,574	137,574
Total	\$23,561,857	\$ -	\$ 137,574	\$23,913,174
	June 30, 2018			Total
	Level 1	Level 2	Level 3	
Endowment investments				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 229,966
U.S. Treasuries	6,838,140	-	-	6,838,140
Money market mutual funds	2,371,109	-	-	2,371,109
Bond mutual funds	4,180,789	-	-	4,180,789
Equity mutual funds	8,440,300	-	-	8,440,300
Equities	1,144,327	-	-	1,144,327
	22,974,665	-	-	23,204,631
Beneficial interest in perpetual trusts	-	-	137,654	137,654
Total	\$22,974,665	\$ -	\$ 137,654	\$23,342,285

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4 – FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

As of June 30, 2019 and 2018, the change in value of the beneficial interest in perpetual trusts was as follows:

	2019	2018
Balance, beginning of year	\$ 137,654	\$ 134,483
Net unrealized gain/(loss)	(80)	3,171
Total beneficial interest in perpetual trusts	\$ 137,574	\$ 137,654

The beneficial interest in perpetual trusts is reported at the net present value of the estimated future amount to be received on such assets. The present value is based on the IAR 2012 Mortality Table, published by the Society of Actuaries.

NOTE 5 – PROMISES TO GIVE AND GRANTS RECEIVABLE, NET

As of June 30, 2019 and 2018, promises to give and grants receivable are expected to be realized in the following periods:

	2019	2018
In one year or less	\$ 1,097,091	\$ 1,322,518
In one to four years	1,150,000	1,250,328
	2,247,091	2,572,846
Less present value discount 2.05%–3.58%	(68,692)	(78,080)
Less allowance for uncollectible promises to give	(41,997)	(41,997)
Total	\$ 2,136,402	\$ 2,452,769

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 6 – PROPERTY AND EQUIPMENT

As of June 30, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Computer hardware and software	\$ 550,365	\$ 436,632
Furniture and fixtures	275,014	237,587
Vehicles	247,347	247,347
Leasehold improvements	313,093	313,093
Equipment	341,659	315,008
Leased equipment	60,514	60,514
	1,787,992	1,610,181
Less accumulated depreciation	(1,420,083)	(1,256,825)
Total	\$ 367,909	\$ 353,356

NOTE 7 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, the following table reflects GLAZA’s financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date due to donor restrictions or internal board designations.

Cash and cash equivalents	\$ 11,136,610
Less donor restricted program funds	(7,066,098)
Accounts receivable due in 2020	1,802,830
Promises to give due in 2020	275,630
Financial assets available to meet general expenditures within one year	\$ 6,148,972

GLAZA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, preparing a balanced budget, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event the need arises to utilize board-designated funds for liquidity purposes, the board-designated endowment could be drawn upon through board resolution, up to 3% of ending balance over the prior three fiscal year ends through the preceding fiscal year in which the distribution is planned. Additionally, GLAZA has available a \$5,000,000 line of credit from which it may use to draw funds to meet any operating shortfalls throughout the year.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
<i>Subject to expenditure for a specific purpose</i>		
Zoo Master Plan and other capital projects	\$ 5,659,898	\$ 3,103,410
Zoo animal and plant programs	898,839	598,972
Zoo Health Center	77,135	97,165
Zoo conservation projects	1,237,514	1,185,967
Zoo education programs	689,085	601,496
Zoo marketing projects	149,950	152,004
GLAZA projects	33,401	56,526
Behavioral enrichment program	852,547	850,922
Other	169,470	578,975
Discounts and allowances	<u>(118,692)</u>	<u>(128,080)</u>
	9,649,147	7,097,357
Unappropriated endowment earnings	<u>2,012,054</u>	<u>1,742,763</u>
	11,661,201	8,840,120
<i>Endowment subject to GLAZA endowment spending policy and appropriation</i>		
Laura Tyler Docent Endowment Fund	1,095,998	1,091,003
Hearst Endowment for education programs	300,000	300,000
Kaye Jamison Docent Fund	367,807	367,807
L. Eugene Dudley Fund for Felines	80,000	80,000
Ofsanko Exhibit Improvement Fund	68,278	68,278
Zoo Scholarship Endowment Fund	36,750	36,750
General endowment fund	<u>150,000</u>	<u>150,000</u>
	2,098,833	2,093,838
Beneficial interest in perpetual trusts	<u>137,574</u>	<u>137,654</u>
	<u>2,236,407</u>	<u>2,231,492</u>
Total net assets with donor restrictions	<u>\$13,897,608</u>	<u>\$11,071,612</u>

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of the passage of time or other events specified by the donors, as follows for the years ended June 30, 2019 and 2018:

	2019	2018
<i>Satisfaction of purpose and time restrictions</i>		
Zoo Master Plan and other capital projects	\$ 376,610	\$ 44,470
Zoo animal and plant programs	201,961	93,854
Zoo Health Center	126,682	36,542
Zoo conservation projects	62,817	62,894
Zoo education programs	221,091	222,925
Zoo marketing projects	526	112
GLAZA projects	52,725	551,173
	<u>\$ 1,042,412</u>	<u>\$ 1,011,970</u>

NOTE 9 – ENDOWMENTS

The endowment consists of funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees.

The Board of Trustees has interpreted the California-enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, GLAZA retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by GLAZA in a manner consistent with the standard of prudence prescribed by UPMIFA.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 9 – ENDOWMENTS (Continued)

GLAZA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of GLAZA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of GLAZA
- The investment policies of GLAZA

As of June 30, 2019 and 2018, endowment net asset composition by fund type is as follows:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	\$19,664,713	\$ -	\$19,664,713
Donor-restricted endowment			
Original donor-restricted gift	-	2,098,833	2,098,833
Unappropriated endowment earnings	-	2,012,054	2,012,054
Balance, end of year	<u>\$19,664,713</u>	<u>\$ 4,110,887</u>	<u>\$23,775,600</u>
	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment	\$19,368,030	\$ -	\$19,368,030
Donor-restricted endowment			
Original donor-restricted gift	-	2,093,838	2,093,838
Unappropriated endowment earnings	-	1,742,763	1,742,763
Balance, end of year	<u>\$19,368,030</u>	<u>\$ 3,836,601</u>	<u>\$23,204,631</u>

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 9 – ENDOWMENTS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires GLAZA to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction of unrestricted net assets. As of June 30, 2019 and 2018, there were no such deficiencies.

Investment and Spending Policies

GLAZA's primary investment objective is to provide for distributions as outlined in its Distribution Policy and to preserve capital, adjusted for the rate of inflation as determined by the Consumer Price Index. To satisfy its long-term rate-of-return objectives, GLAZA relies on a total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GLAZA has chosen a diversified asset allocation that targets 60% of equity-based investments and 40% of cash and treasuries-based investments. Within the equity-based portion of the portfolio, GLAZA has additionally allocated investments between large-capitalization and small/mid-capitalization investments, between growth and value objectives, and between domestic and international investments.

Unless otherwise provided for in a mutual agreement between GLAZA and the endowment donor, GLAZA has a policy of appropriating for distribution, each year, 3% of its endowment fund's average at fair value over the prior three fiscal year ends through the preceding fiscal year in which the distribution is planned. In establishing this policy, GLAZA has considered the long-term expected return on its endowment.

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	\$19,368,030	\$ 3,836,601	\$23,204,631
Net investment return	859,043	289,966	1,149,009
Earnings appropriated per spending policy	(562,360)	(15,680)	(578,040)
Total endowment funds	<u>\$19,664,713</u>	<u>\$ 4,110,887</u>	<u>\$23,775,600</u>

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 9 – ENDOWMENTS (Continued)

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	\$19,193,991	\$ 3,496,964	\$22,690,955
Net investment return	726,968	245,492	972,460
Contributions	-	109,531	109,531
Earnings appropriated per spending policy	<u>(552,929)</u>	<u>(15,386)</u>	<u>(568,315)</u>
Total endowment funds	<u>\$19,368,030</u>	<u>\$ 3,836,601</u>	<u>\$23,204,631</u>

NOTE 10 – DEFERRED COMPENSATION PLANS

GLAZA sponsors three deferred compensation plans (Plans), to which it contributes. GLAZA's total contribution to the Plans for the years ended June 30, 2019 and 2018, was \$378,783 and \$332,461, respectively, and is included with salaries, taxes, and benefits on the statements of functional expenses.

NOTE 11 – LINE OF CREDIT

GLAZA has a \$5,000,000 line of credit with a bank, which expires on June 1, 2021. GLAZA has the option of choosing an interest rate based either on LIBOR, plus 1.25%, or the bank's prime lending rate. The line of credit is secured by GLAZA's investment in U.S. treasuries (see Note 4). The line of credit incurs a fee of .18% per annum for any quarter where usage falls below \$2,500,000. As of June 30, 2019 and 2018, there were no outstanding borrowings on this line of credit.

NOTE 12 – TRANSACTIONS WITH THE ZOO AND CITY OF LOS ANGELES

Revenue

In the years ended June 30, 2019 and 2018, GLAZA received rebates related to the marketing MOU (See Note 1) of \$1,364,057 and \$1,281,682, respectively, from the City. This amount is included in Admission revenue share in the statements of activities, and Accounts receivable – Los Angeles Zoo in the statements of financial position.

GREATER LOS ANGELES ZOO ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 12 – TRANSACTIONS WITH THE ZOO AND CITY OF LOS ANGELES (Continued)

Expenses

In addition to the Zoo payments described in Foot, GLAZA pays the Zoo and City departments for vendor services such as overtime event staffing, zookeepers for animal encounters, and traffic control, which are reimbursed separately and not part of the MOUs.

For the years ended June 30, 2019 and 2018, cash payments to the Zoo and City collectively totaled \$6,845,665 and \$6,712,663, respectively.

NOTE 13 – RELATED PARTY TRANSACTIONS

GLAZA's board of trustees is actively involved in raising funds for GLAZA. During the years ended June 30, 2019 and 2018, GLAZA received a total of \$759,028 and \$806,921, respectively, in contributions from trustees. In addition, trustees have agreed to contribute an additional amount of \$28,364 and \$200,187 that are recorded as promises to give. The present value of the promises to give from trustees at June 30, 2019 and 2018 was \$27,826 and \$194,582, respectively. During the years ended June 30, 2019 and 2018, GLAZA paid \$11,998 and \$18,589 to a business owned by a trustee for services provided.

NOTE 14 – CONTINGENCIES

In the ordinary course of business, GLAZA is subject to certain potential legal claims. In the opinion of management, such matters will not have a material effect on the combined financial position of GLAZA.

NOTE 15 – SUBSEQUENT EVENTS

GLAZA has evaluated subsequent events through November 14, 2019, which is the date the financial statements were available to be issued.