

Bukalova, Dominika

Subject: FW: Voter approved Bond Question FW: Ballot Propositions
Attachments: E&Y Zoo audit.pdf; Zoo Global 2011-951648219-08954620-9.pdf; Zoo_Funds_Audit.pdf; Zoo opinion 080703analysis2008.pdf; Zoological Exhibits Adopted 2014 Budget v2zoologicalexhibits.pdf

From: Jenkins, Denise
Sent: Thursday, January 09, 2014 10:02 AM
To: Bukalova, Dominika
Subject: FW: Voter approved Bond Question FW: Ballot Propositions

Dominika,

I believe Mr. Stump provided additional attachments to this response email. I wanted to make sure you had them.

From: John Stump <jwstump@cox.net>
Sent: Monday, January 06, 2014 4:56 PM
To: Jenkins, Denise; Stone, Bonnie
Subject: Voter approved Bond Question FW: Ballot Propositions

Dear Ms. Jenkins and Ms. Stone,

Thank you for your notice of receipt of my ballot proposal. The description of the planned process and important dates is appreciated.

I have attached exhibits concerning the ballot proposal to reduce the tax burden on San Diegans. My proposal would reduce the tax burden by more than \$10,000,000 annually, in addition to all other taxes. [San Diego City Charter section 77a]. Taxes like these make housing less affordable for San Diego families.

This year for the first time, the San Diego Tax Collector has called out and listed this special additional tax on the tax bills issued to city property owners. Unfortunately, the listing is miss categorized under the category of Voter Approved Bonds, when no voter approved measure has been authorized. Please let me know if your office has ever conducted an election to authorize such bonds?

Again, Thank you.

All the Best

John Stump Office: 619-281-7394 or Home: 619-281-4688

Brown Building

4133 Poplar

City Heights, California 92105

From: Jenkins, Denise [<mailto:DJenkins@sandiego.gov>]
Sent: Monday, January 06, 2014 2:13 PM
To: jwstump@cox.net
Cc: Maland, Elizabeth; Stone, Bonnie
Subject: RE: Ballot Propositions

Dear Mr. Stump:

The City Clerk is in receipt of your ballot proposal.

The Clerk's Office has established January 10, 2014 (10:00 a.m.) deadline for submitting such ballot proposals for the June 3, 2014 ballot, and anticipates that the Economic Development and Intergovernmental Relations Committee will review such proposals at its January 15, 2014 meeting.

Ballot proposals which are referred to the full City Council will be listed under Public Notice on the Council Docket of January 27, 2014, and docketed for consideration by Council on the same day.

If you have any questions, please do not hesitate to call me.

Denise C. Jenkins
Elections Analyst
Office of the City Clerk
(619) 533-4030
DJenkins@SanDiego.gov

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From: John Stump [<mailto:jwstump@cox.net>]
Sent: Monday, January 06, 2014 1:08 PM
To: CLK City Clerk
Cc: SDAT City Attorney
Subject: Ballot Propositions

Dear San Diego City Council,

I am submitting a ballot proposal to decrease the tax burden on property owners and households in the City of San Diego. Currently, the additional Zoo Tax costs San Diegans some \$10 million dollars each year. The additional Zoo Tax is a tax burden that makes housing less affordable in San Diego.

My ballot proposal would be: " Shall the current additional Zoo Tax be eliminated by deleting San Diego City Charter section 77a? "

The current San Diego City Charter provides:

Section 77a: Provisions for Zoological Exhibits

The Council shall levy annually, in addition to all other taxes provided for in this Charter, not less than two cents (\$0.02) on each one hundred dollars (\$100.00) of the assessed valuation of the real and personal property within the City, to be used exclusively for the maintenance in Balboa Park of zoological exhibits. Whenever the Council deems it to be for the best interests of the City, the Council may enter into a contract, upon such terms and conditions as the Council may prescribe, for the maintenance in Balboa Park of

zoological exhibits, with any organization formed primarily for the purposes of maintaining zoological gardens and zoological exhibits and conducting general zoological work; and may make available to such organization the proceeds of the special tax levy provided for in this section.

(Addition voted 11-06-1934; effective 01-21-1935.)

(Amendment voted 04-22-1941; effective 05-08-1941.)

Prior Language

Please inform me of any further steps I must take to assist your consideration of this matter. I request notice of any hearings concerning ballot proposals and copies of any reports or communications issued concerning these matters.

All the Best

John Stump Office: 619-281-7394 or Home: 619-281-4688

Brown Building

4133 Poplar

City Heights, California 92105


BukalovaD@sandiego.gov



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FINANCIAL STATEMENTS

Zoological Society of San Diego
Fiscal Years 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Zoological Society of San Diego

Financial Statements

Fiscal Years 2010 and 2009

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Report of Independent Auditors

The Board of Trustees
Zoological Society of San Diego

We have audited the accompanying statements of financial position of the Zoological Society of San Diego (the ZSSD) as of January 2, 2011 and December 27, 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the ZSSD's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the ZSSD's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ZSSD's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Zoological Society of San Diego at January 2, 2011 and December 27, 2009, and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

April 27, 2011

Zoological Society of San Diego

Statements of Financial Position

	January 2, 2011	December 27, 2009
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 36,318	\$ 42,871
Accounts receivable, net	4,344	3,129
Inventories	2,756	3,017
Prepaid expenses and other assets	4,117	4,348
Investments	87,272	83,285
Bequests and contributions receivable, net	39,323	42,211
Property and equipment, net	197,185	205,343
Total assets	<u>\$ 371,315</u>	<u>\$ 384,204</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,637	\$ 17,868
Accrued salaries and salary-related expenses	15,006	14,951
Deferred support and revenue	14,748	12,771
Liability for pension benefits	42,533	34,605
Line of credit	13,100	15,500
Note payable	—	250
Bonds payable	42,000	42,750
Capital leases	111	134
Total liabilities	<u>144,135</u>	<u>138,829</u>
Net assets:		
Unrestricted	147,683	164,410
Temporarily restricted	49,891	51,814
Permanently restricted	29,606	29,151
Total net assets	<u>227,180</u>	<u>245,375</u>
Total liabilities and net assets	<u>\$ 371,315</u>	<u>\$ 384,204</u>

See accompanying notes.

Zoological Society of San Diego

Statements of Activities and Changes in Net Assets (In Thousands)

	Year Ended January 2, 2011 (Fiscal 2010)				Year Ended December 27, 2009 (Fiscal 2009)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:								
Exhibition facilities:								
Admissions and memberships	\$ 69,879	\$ –	\$ –	\$ 69,879	\$ 64,812	\$ –	\$ –	\$ 64,812
Auxiliary activities	86,295	–	–	86,295	79,933	–	–	79,933
Contributions	6,980	10,009	455	17,444	8,743	5,452	3,557	17,752
Grant revenue for services	6,528	–	–	6,528	6,086	–	–	6,086
Tax revenue and other	19,199	–	–	19,199	19,875	–	–	19,875
Net assets released from restriction	15,404	(15,404)	–	–	24,700	(24,700)	–	–
Total revenues and support	204,285	(5,395)	455	199,345	204,149	(19,248)	3,557	188,458
Expenses:								
Exhibition facility operations	165,367	–	–	165,367	155,537	–	–	155,537
Research and conservation activities	18,286	–	–	18,286	18,430	–	–	18,430
Educational programs	3,727	–	–	3,727	2,775	–	–	2,775
Administration	19,802	–	–	19,802	17,722	–	–	17,722
Total expenses	207,182	–	–	207,182	194,464	–	–	194,464
(Deficiency) excess revenues over								
expenses before other income (expense)	(2,897)	(5,395)	455	(7,837)	9,685	(19,248)	3,557	(6,006)
Investment income	6,512	3,472	–	9,984	18,409	1,249	–	19,658
Change in split-interest	(67)	–	–	(67)	(116)	–	–	(116)
Interest expense	(1,796)	–	–	(1,796)	(1,096)	–	–	(1,096)
Unrealized (loss) gain on swap transaction	(1,149)	–	–	(1,149)	4,141	–	–	4,141
(Deficiency) excess revenues over expenses	\$ 603	\$ (1,923)	\$ 455	\$ (865)	\$ 31,023	\$ (17,999)	\$ 3,557	\$ 16,581
Reconciliation of changes in net assets								
Net assets at beginning of year	\$ 164,410	\$ 51,814	\$ 29,151	\$ 245,375	\$ 125,622	\$ 69,813	\$ 25,594	\$ 221,029
(Deficiency) excess revenues over expenses	603	(1,923)	455	(865)	31,023	(17,999)	3,557	16,581
Pension-related changes other than net periodic pension cost	(17,330)	–	–	(17,330)	7,765	–	–	7,765
Net assets at end of year	\$ 147,683	\$ 49,891	\$ 29,606	\$ 227,180	\$ 164,410	\$ 51,814	\$ 29,151	\$ 245,375

See accompanying notes.

Zoological Society of San Diego

Statements of Cash Flows

Years Ended January 2, 2011 (Fiscal 2010) and December 27, 2009 (Fiscal 2009)

	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>
	<i>(In Thousands)</i>	
Operating activities		
(Deficiency) excess revenues over expenses	\$ (865)	\$ 16,581
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	22,241	21,564
Provision for uncollectible receivables	21	20
Net realized (gain) loss on sale of investments, interest income and dividends	(3,584)	8,995
Net loss on bequests	67	116
Net unrealized (gain) loss on investments	(6,401)	(28,653)
Net loss (gain) on disposal of property and equipment	1	4
Unrealized (gain) loss on swap transaction	1,149	(4,141)
Noncash contributions	(1,004)	(3,610)
Restricted contributions	(10,464)	(9,009)
Changes in operating assets and liabilities:		
Accounts receivable	(1,236)	2,686
Inventories	261	(26)
Prepaid expenses and other assets	231	(453)
Bequests and contributions receivable	3,825	9,927
Accounts payable and accrued expenses	(2,380)	(1,518)
Accrued salaries and salary-related expenses	55	(559)
Liability for pension benefits	(9,402)	120
Deferred support and revenue	1,977	(1,406)
Net cash operating activities	<u>(5,508)</u>	10,638
Investing activities		
Proceeds from sale of marketable securities	50,321	41,105
Purchase of marketable securities	(44,323)	(39,498)
Purchase of property and equipment	(14,084)	(38,890)
Net cash used in investing activities	<u>(8,086)</u>	(37,283)
Financing activities		
(Payments) borrowings on line of credit	(2,400)	13,000
Payments on note payable and line of credit	(250)	(1,250)
Payments on bonds payable	(750)	(750)
Principal payments of capital lease obligations	(23)	(100)
Endowment contributions	455	3,557
Contributions for programs and capital improvements	10,009	5,452
Net cash provided by financing activities	<u>7,041</u>	19,909
Net decrease in cash and cash equivalents	(6,553)	(6,736)
Cash and cash equivalents at beginning of year	42,871	49,607
Cash and cash equivalents at end of year	<u>\$ 36,318</u>	<u>\$ 42,871</u>
Supplemental schedule of noncash financing activities		
Cash paid for interest during the year	<u>\$ 1,989</u>	<u>\$ 1,706</u>

See accompanying notes

Zoological Society of San Diego

Notes to Financial Statements *(All Dollar Amounts in Thousands)*

January 2, 2011

1. Summary of Significant Accounting Policies

Basis of Presentation

The Zoological Society of San Diego (ZSSD) was incorporated in 1916, as a private, nonprofit corporation directed by a Board of Trustees (the Board). The ZSSD operates two exhibition facilities, the San Diego Zoo and the San Diego Zoo Safari Park, and conducts world-wide conservation and research programs through the San Diego Zoo Institute for Conservation Research. The San Diego Zoo and the San Diego Zoo Safari Park exhibit animals and plants in natural botanical settings for the education and entertainment of visitors. At the Institute for Conservation Research, scientists, technicians and students work to further the conservation of animals, plants and endangered ecosystems. In addition to laboratory work, the Institute for Conservation Research also promotes in-situ conservation via its field programs in key areas and “hotspots” in China, the Pacific Region, the southwestern United States, the Caribbean Islands, South America, Africa and elsewhere. The Institute is also home to the Frozen Zoo, the world’s largest collection of genetic and reproductive material from endangered animals.

The ZSSD formed the ZSSD Foundation (the Foundation) in 2007. The Foundation is a related supporting organization, which conducts fund raising activities for the ZSSD. Funds raised by the Foundation are received directly by ZSSD and recorded as contribution revenue in the ZSSD’s statement of activities. The Foundation has no employees, and is supported by volunteers. The Foundation’s expenses are recorded in the ZSSD’s statement of activities.

Accounting Period

The ZSSD reports on a 52/53-week year ending the Sunday nearest December 31. The fiscal year ended January 2, 2011 included 53 weeks and has been designated as Fiscal 2010 in the accompanying financial statements. The fiscal year ended December 27, 2009 included 52 weeks and has been designated as Fiscal 2009 in the accompanying financial statements.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

1. Summary of Significant Accounting Policies (continued)

Fund Accounting and Net Asset Classification

To ensure compliance with restrictions placed on the resources available to the ZSSD, the ZSSD's accounts are maintained in accordance with the principles of fund accounting, a procedure by which resources are classified for accounting and reporting into funds established according to their nature and purpose. In the financial statements, funds that have similar characteristics are combined into three net asset categories:

- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the ZSSD to use or expend the assets only as specified. These restrictions are satisfied either by the passage of time or by the ZSSD's expenditure for the specified purpose.
- Permanently restricted net assets contain donor-imposed restrictions and stipulate that the resources be maintained permanently but permit the ZSSD to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenue Recognition

The ZSSD records admissions, auxiliary activities and grants as earned. Tickets sold in advance to travel and tourism companies are deferred until used. Membership revenue is deferred over the term of the membership, typically one year. In addition, the ZSSD records gifts of long-lived assets as revenue at their fair value when they are received unconditionally. Conditional contributions, including pledges, are recognized as revenue when the conditions on which they depend have been substantially met.

Auxiliary Activities

The ZSSD's auxiliary activities include retail merchandise, food and beverage, transportation operations, Safari Park parking, educational activities and other similar support activities.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

1. Summary of Significant Accounting Policies (continued)

Tax Revenue and Other

Tax revenue and other includes city property tax allocation, revenues from advisory services, sponsorships, advertising and other miscellaneous activities.

Animal and Horticultural Collections

In accordance with customary practice among zoological organizations, animal and horticultural collections are recorded at the nominal amount of one dollar, as there is no objective basis for establishing value. Additionally, animal and horticultural collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Expenditures related to animal and horticultural acquisitions are expensed in the period of acquisition.

In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the ZSSD shares animals with other organizations. Consistent with industry practice, the ZSSD does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

Cash and Cash Equivalents

The organization considers short-term investments with a maturity date of 90 days or less from the date of purchase to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consists of trade receivables and grant receivables. Trade receivables consist of outstanding balances from travel and tourism companies that purchase and then resell admission tickets to the ZSSD's facilities. The allowance for doubtful accounts represents the ZSSD's best estimate of uncollectible accounts receivable based on historical experience. Write-offs are deducted from the allowance for doubtful accounts and subsequent recoveries are added.

Zoological Society of San Diego

Notes to Financial Statements (continued) *(All Dollar Amounts in Thousands)*

1. Summary of Significant Accounting Policies (continued)

Investments

Investments with readily determinable fair values are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statements of activities.

Concentration of Credit Risk

The ZSSD invests its excess cash in various types of investments. The ZSSD has established guidelines relative to diversification and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. Short-term investments are only placed in investment grade money market instruments. Long-term funds held for reserves and endowments are invested through an independently managed equity portfolio.

Inventories

The ZSSD's inventory is valued at the lower of cost or market, and accounted for using a weighted-average cost basis.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are generally from three to 25 years. Assets acquired under capital leases are recorded at the net present value of the minimum lease payments. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The ZSSD assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. Should impairment

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

1. Summary of Significant Accounting Policies (continued)

exist, the impairment loss would be measured based on the excess of the carrying amount of the asset over the asset's fair value. No impairment charges were recognized on long-lived assets during 2010 and 2009.

Donations and Bequests

Donations with donor-imposed restrictions are reported as temporarily or permanently restricted revenue. Temporarily restricted net assets are reclassified to unrestricted net assets when an event occurs which satisfies the donor-imposed restriction. Donations of long-lived assets are recorded at their appraised value when received.

Operating Agreements

The ZSSD operates the San Diego Zoo and the San Diego Zoo Safari Park pursuant to lease agreements with the City of San Diego. The agreements provide that title to the ZSSD's property and exhibits is vested in the City. However, the ZSSD's assets are recorded on the books of the ZSSD, as the organization is permitted to pledge these assets.

The San Diego Zoo operating agreement expires in 2034. The San Diego Zoo Safari Park operates under a renewable short-term agreement with the City of San Diego Water Utilities Department. Every five years, the fair rental value of the land is evaluated and the annual rent amount adjusted. The ZSSD paid \$140 as annual rent in 2010 and 2009, respectively.

Income Taxes

As a nonprofit organization qualified under Section 501(c)(3) of the Internal Revenue Code, the ZSSD is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the ZSSD's tax-exempt purpose.

Debt Issuance Costs

The costs related to the issuance of debt are capitalized and amortized to interest expense using the effective interest method over the life of the related debt.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

1. Summary of Significant Accounting Policies (continued)

Interest Rate Swap

The ZSSD utilizes interest rate swap contracts to manage the risk associated with fluctuations in interest rates on its variable rate debt. Pursuant to these agreements, the ZSSD makes periodic payments to the swap counterparty at a fixed interest rate and receives payments at a variable rate computed in accordance with the contractual formula. The ZSSD's policy is not to utilize financial instruments for trading or speculative purposes. Accordingly, it designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

Substantially all of the ZSSD's interest-bearing debt carries a floating interest rate. Therefore, in the normal course of business, the ZSSD is exposed to changes in short-term interest rates that can create uncertainty and variability in its cash flows. To mitigate this exposure, in June 2004, the ZSSD entered into a 30-year interest rate swap agreement converting a notional \$30,000 of floating-rate debt into fixed-rate debt that currently bears interest at 3.905%, covering approximately two-thirds of the outstanding debt. In May 2010, the ZSSD entered into another interest rate swap agreement converting the remaining one-third of outstanding floating-rate debt into fixed rate debt that bears interest at 2.81%. After giving effect to these interest rate swaps, the ZSSD's outstanding debt is effectively at fixed rates at 2010 year-end.

In November 2007, the ZSSD entered into a short-term swap agreement effective December 1, 2008, with a maturity date of December 1, 2012. The swap carries a fixed rate of 4.52% that will offset the variable rate of the line of credit facility entered into on October 30, 2007.

Changes in the fair market value of the interest rate swaps are reported as unrealized gain or loss on interest rate swaps on the statements of activities. The valuation of the swaps resulted in an unrealized loss of \$1,149 in 2010 and an unrealized gain of \$4,141 in 2009. As of year-end 2010, the accumulated net unrealized loss totaled \$5,253. Providing that the ZSSD holds the swap to maturity, the value of the derivative will be zero. This swapping transaction can be terminated at the market rate at any time during the swap.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

1. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

- The carrying values of cash equivalents and accounts and other receivables approximate the fair value of these financial instruments.
- Investments are reported at fair value based on quoted market prices.
- The carrying amount of bequests and donations receivable approximates fair value because these donations, which are anticipated to be collected in cash, are recorded at the net present value of the amounts pledged.
- The carrying amount of the capital lease and line of credit obligations approximates fair value because the obligations are recorded at the net present value of future payments at market interest rates.

Fair Value Measurements

ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

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

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

1. Summary of Significant Accounting Policies (continued)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the tables below,

- a. Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- b. Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost).
- c. Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

The following tables provide the method used to fair value certain assets and liabilities as of January 2, 2011 and December 27, 2009. Only assets and liabilities measured at fair value are shown on the three-tier value hierarchy.

	Fair Value Measurements at Reporting Date Using				Valuation Techniques (a,b,c)
	Balance as of January 2, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Cash, certificates of deposit, and money market mutual funds ⁽¹⁾	\$ 36,318	\$ 36,318	\$ -	\$ -	(a)
Investments available for sale including interest receivable	87,272	87,272	-	-	(a)
Total assets	<u>\$ 123,590</u>	<u>\$ 123,590</u>	<u>\$ -</u>	<u>\$ -</u>	
Liabilities					
Accumulated loss on interest rate swap ⁽²⁾	\$ 5,253	\$ -	\$ 5,253	\$ -	(c)
Total liabilities	<u>\$ 5,253</u>	<u>\$ -</u>	<u>\$ 5,253</u>	<u>\$ -</u>	

Zoological Society of San Diego

Notes to Financial Statements (continued) (All Dollar Amounts in Thousands)

1. Summary of Significant Accounting Policies (continued)

	Fair Value Measurements at Reporting Date Using				Valuation Techniques (a,b,c)
	Balance as of December 27, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Cash, certificates of deposit, and money market mutual funds ⁽¹⁾	\$ 42,871	\$ 42,871	\$ —	\$ —	(a)
Investments available for sale including interest receivable	83,285	83,285	—	—	(a)
Total assets	<u>\$ 126,156</u>	<u>\$ 126,156</u>	<u>\$ —</u>	<u>\$ —</u>	
Liabilities					
Accumulated loss on interest rate swap ⁽²⁾	\$ 4,104	\$ —	\$ 4,104	\$ —	(c)
Total liabilities	<u>\$ 4,104</u>	<u>\$ —</u>	<u>\$ 4,104</u>	<u>\$ —</u>	

⁽¹⁾ Included as a component of cash and cash equivalents on accompanying statements of financial position.

⁽²⁾ Included as a component of accounts payable and accrued expenses on accompanying statements of financial position.

Recent Accounting Pronouncements

In May 2009, the FASB issued a new standard which establishes the framework for financial accounting and reporting for not-for-profit mergers and acquisitions and intangible assets. This new standard is effective for mergers and acquisitions on or after January 1, 2010. The adoption of ASC 958-805 did not have a material effect on the financial statements.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which amended ASC 820, *Fair Value Measurements and Disclosures*, to require new disclosures related to transfers in and out of Level 1 and Level 2 fair value measurements, including reasons for the transfers, and to require new disclosures related to activity in Level 3 fair value measurements. In addition, ASU 2010-06 clarifies existing disclosure requirements related to the level of disaggregation of classes of assets and liabilities, and provides further

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

1. Summary of Significant Accounting Policies (continued)

detail about inputs and valuation techniques used for fair value measurements. ZSSD adopted ASU 2010-06 in 2010, and the adoption did not have a material impact on the ZSSD's consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$6,612 and \$7,521 for 2010 and 2009, respectively.

Contributed Services

The ZSSD receives contributed services through various volunteer programs at the facilities and on certain conservation projects. Volunteers contributed approximately 80,000 hours in 2010. Contributed services through volunteers are not recorded in the statements of activities.

Fundraising Expenses

Fundraising expenses are included in administration expense in the statements of activities and amounted to \$4,317 and \$3,811 for 2010 and 2009, respectively.

Use of Estimates

In accordance with its established practices, management of the ZSSD has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities in order to prepare its financial statements in accordance with generally accepted accounting principles in the United States. Actual results could differ from these estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Subsequent Events

In preparing the financial statements, the ZSSD evaluated subsequent events after the balance sheet date of January 2, 2011 through April 27, 2011, the date that these financial statements are issued.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

2. Accounts Receivable

A summary of accounts receivable at year-end is as follows:

	<u>2010</u>	<u>2009</u>
Trade receivables	\$ 1,029	\$ 807
Grant receivables	2,541	1,472
Other	835	890
Allowance for doubtful accounts	(61)	(40)
Net accounts receivable	<u>\$ 4,344</u>	<u>\$ 3,129</u>

3. Inventories

A summary of inventories at year-end is as follows:

	<u>2010</u>	<u>2009</u>
Merchandise	\$ 1,723	\$ 1,984
Food service	828	824
Animal food and other	205	209
Total inventories	<u>\$ 2,756</u>	<u>\$ 3,017</u>

4. Investments

Investments, stated at fair value, consist of the following:

	<u>2010</u>	<u>2009</u>
Fixed income securities	\$ 2,391	\$ 1,631
Mutual fund – equity	11,335	7,065
Marketable equity securities	72,329	73,704
Commodities and other	1,217	885
Investments included in current assets	<u>\$ 87,272</u>	<u>\$ 83,285</u>

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

4. Investments (continued)

Investment assets are not specifically limited in use by the Board or Trustees of the ZSSD.

Investment income consists of the following:

	2010	2009
Interest income and dividends	\$ 1,872	\$ 1,893
Net realized gain (loss)	2,553	(10,106)
Net unrealized gain	6,401	28,653
Investment advisory and custodial fees	(842)	(782)
	\$ 9,984	\$ 19,658

5. Bequests and Contributions Receivable

Bequests and contributions receivable are primarily comprised of bequest agreements, which include pooled-income funds, irrevocable trusts, charitable remainder trusts and charitable gift annuities; and pledged gift agreements, which are unconditional promises to give. Bequests and contributions of private support are recorded as revenue upon the receipt of the unconditional promise to give. The ZSSD believes that certain bequests and contributions receivable may not be collected due to a variety of circumstances and has provided an allowance for such amounts.

Bequests and contributions receivable consist of the following:

	2010	2009
Bequest agreements:		
Pooled-income funds	\$ 7,957	\$ 9,345
Irrevocable trusts	5,050	4,987
Charitable remainder trusts	12,054	12,573
Charitable gift annuities	4,066	3,472
Pledged gift agreements	10,446	12,085
	39,573	42,461
Allowance for uncollectible amounts	(250)	(250)
Net bequests and contributions receivable	\$ 39,323	\$ 42,211

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

5. Bequests and Contributions Receivable (continued)

Due to the nature of bequest agreements, it is difficult to estimate the time frame during which these will be collected. Consequently, all bequests receivable after one year are shown as collectible in more than five years. Pooled income funds, irrevocable trusts and charitable remainder trusts that are expected to be collected in more than one year have been recorded at net present value, calculated using a discount rate of 3.22% and 3.26% for the years ended 2010 and 2009, respectively. Split-interest agreements, such as charitable gift annuities, the ZSSD receives cash or marketable securities from a donor in exchange for an annuity to be distributed for a fixed amount over the lifetime or lifetimes of the donor or other beneficiaries. Upon the death of the annuitant or survivor of the annuitants, the ZSSD is entitled to full use of the remainder. For charitable gift annuities, the assets are recorded at fair value. A liability is then recorded for charitable gift annuities for the amount of the annuity payments that must be paid by the ZSSD to the donor based on the actuarial life of the donor. Obligations to beneficiaries under split-interest agreements are included in accounts payable and accrued expenses in the statements of financial position and totaled \$2,781 and 2,472 at year-end 2010 and 2009, respectively. The difference between the recorded asset and the liability is recorded as change in split-interest on the statement of activities for the given year. Pledged gift agreements are unconditional promises to give. Certain pledges are spread over several years with specific terms of when amounts will be received.

Bequests and contributions receivable are expected to be collected as follows:

2011	\$ 6,000
2012	5,438
2013	288
2014	40
2015	—
In more than five years	<u>35,994</u>
	47,760
Unamortized discount	<u>(8,187)</u>
Net present value	39,573
Allowance for uncollectible accounts	<u>(250)</u>
Net bequests and contributions receivable	<u>\$ 39,323</u>

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

6. Property and Equipment

A summary of property and equipment at year-end is as follows:

	<u>2010</u>	<u>2009</u>
Buildings, exhibits, and improvements	\$ 366,444	\$ 360,412
Transportation and equipment	35,762	34,158
Construction in progress	8,343	3,224
	<u>410,549</u>	397,794
Less accumulated depreciation and amortization	<u>(213,364)</u>	(192,451)
Net property and equipment	<u>\$ 197,185</u>	<u>\$ 205,343</u>

Property and equipment includes capitalized interest of \$2,429 and \$2,345 for the years ended 2010 and 2009, respectively.

Capital lease obligations, included in transportation and equipment, are secured by equipment with a gross cost of \$275 at year-end 2010 and 2009. Accumulated amortization related to leased assets was \$49 and \$204 at year-end 2010 and 2009, respectively.

7. Debt

Tax-Exempt Bonds

In June 2004, the ZSSD issued \$45,000 of tax-exempt variable rate demand bonds through the Association of Bay Area Governments in the State of California for the construction of improvements of its facilities at the Safari Park and for the repayment of short-term debt. Interest on the bonds (0.40% and 0.27% at year-end 2010 and 2009, respectively) is adjusted through a weekly remarketing process in the tax-exempt bond market. The bonds are secured by a standby letter of credit that is guaranteed by the ZSSD, collateralized by the assets of the ZSSD and subject to certain restrictive covenants. In the event of a failure in the remarketing process, the standby letter of credit can be drawn upon to pay the principal of the bonds. In the event of such a failure and subsequent draw upon the line of credit, the ZSSD may be required to repay the then outstanding principal over a time period of less than a year. The included debt repayment schedule assumes payments under the original contract terms. At year-end 2010, the ZSSD was in compliance with all financial covenants under the debt agreement. The bonds mature October 1, 2034. Interest is payable monthly. Principal payments began October 1, 2007, and are based on an amortization schedule.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

7. Debt (continued)

Costs incurred to issue the tax-exempt bonds totaled \$712. The costs have been deferred and included in prepaid expenses and other assets in the statements of financial position and amortized over the 30-year term of the bonds using the effective interest method. At year-end 2010 and 2009, the unamortized balances of the issuance costs were \$558 and \$582, respectively.

Line of Credit

The ZSSD has an unsecured financing agreement with its primary bank that permits multiple borrowings, at variable rates of interest, up to \$10,000. The financing agreement, which expires on December 1, 2011, provides that the ZSSD may elect for each individual borrowing on the line of credit, to have interest calculated using rates based on one of the following: (1) the bank's reference rate, (2) LIBOR, or (3) IBOR. At year-end 2010 and 2009, the outstanding balance of \$3,500, bears interest at 1.52% and 1.47%, respectively. Interest payments are required to be made monthly. The line of credit contains certain covenants with which the ZSSD was in full compliance at year-end 2010 and 2009. At year-end 2010 and 2009, the ZSSD has outstanding letters of credit for \$953 under this agreement. The letters of credit reduce the amount available for borrowing.

On October 30, 2007, the ZSSD amended the loan agreement to include an additional line of credit facility of \$20,000 until December 30, 2009; \$16,500 from December 31, 2009 to December 30, 2010; \$12,500 from December 31, 2010 to December 30, 2011; and \$7,500 from December 30, 2011 to December 30, 2012.

In 2009, \$13,000 of the credit facility was utilized for the construction of exhibition facilities and other improvements covered by specific pledges of future donations. Funds collected from specific pledges will be utilized for repayment of this credit facility. At year-end 2010 and 2009, the balances of the credit facility were \$9,600 and \$12,000, respectively. Interest is payable monthly. Principal payments are fully due by December 30, 2012.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

7. Debt (continued)

Note Payable

On February 6, 2003, the ZSSD entered into an agreement with a university to purchase certain environmental credits in exchange for \$250 cash and a note payable for \$1,750. The environmental credits were attached to a parcel of land owned by the university, which upon dedication to the City of San Diego can be used as mitigation credits required in connection with construction projects at the Safari Park. The note payable bears a 7% interest rate and is payable in annual installments over seven years. The outstanding principal balance totaled \$0 and \$250 at year-end 2010 and 2009, respectively.

Principal debt payments are as follows:

2011	\$ 6,595
2012	8,540
2013	1,090
2014	1,140
2015	1,195
Thereafter	36,540
	\$ 55,100

Capital Lease Obligations

The ZSSD has capital lease obligations with interest rates ranging from 6.00% to 7.10%. The weighted-average interest rate of all lease obligations is 6.46%.

Minimum lease payments are as follows:

2011	\$ 78
2012	39
	117
Imputed interest	(6)
Net present value	\$ 111

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at year-end are available for the following purposes:

	2010	2009
Restricted for capital investment:		
San Diego Zoo exhibits and equipment	\$ 832	\$ 2,815
San Diego Zoo Safari Park exhibits and equipment	4,228	3,513
Other capital	389	173
Total restricted for capital investment	5,449	6,501
Restricted for programs:		
Facility programs	227	768
Education	1,669	1,442
Conservation and research	3,157	2,985
Total restricted for programs	5,053	5,195
Temporarily restricted portion of donor-restricted endowments	2,847	379
Bequests and contributions receivable, net of obligations to beneficiaries under split-interest agreements	36,542	39,739
Total temporarily restricted net assets	\$ 49,891	\$ 51,814

Permanently restricted net assets are restricted for the following purposes:

	2010	2009
Institute for Conservation Research	\$ 21,902	\$ 21,572
Education	2,822	2,822
Steel Foundation – Director’s endowment	1,979	1,979
Wegeforth Fund	2,903	2,778
Total permanently restricted net assets	\$ 29,606	\$ 29,151

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

8. Temporarily and Permanently Restricted Net Assets (continued)

Endowment Funds: The ZSSD's endowment funds were established by donor-restricted contributions to provide a permanent endowment, which is to provide a permanent source of income. The portion of a permanent endowment that must be maintained permanently – not used, expended, or otherwise exhausted – is classified as permanently restricted assets. In addition, the Board has earmarked a portion of the ZSSD's unrestricted net assets as board-designated endowment funds to be invested to provide income for a long but unspecified period. These designations include a fund for the Institute for Conservation Research to provide for conservation and research of rare and endangered species. In addition, the Board has designated amounts for an emergency reserve and a strategic reserve. The emergency reserve is to provide for unexpected or unanticipated expenditures when other sources of funds are not available. The strategic reserve is to provide for future operating needs. The board-designated endowment funds, which result from an internal designation, are not donor restricted and are classified as unrestricted net assets.

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 the ZSSD to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets unless the income of such assets are restricted to use in which case such amounts are reflected in temporarily restricted net assets. There was no deficiency at year-end 2010 and 2009.

Interpretation of Relevant Law: The ZSSD has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the ZSSD classifies as permanently restricted net assets (1) the original value of the gifts donated to permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations of 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. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is characterized as temporarily restricted net assets until those amounts are appropriated for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the ZSSD considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the ZSSD and the donor-restricted endowment fund

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

8. Temporarily and Permanently Restricted Net Assets (continued)

3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the ZSSD
7. The ZSSD's investment policy

Return Objectives and Risk Parameters: The ZSSD has adopted investment and spending policies for endowment assets that is meant to ensure that the endowment's purchasing power is maintained over time by keeping the long-term rate of annual spending from the endowment equal to or less than the long-term real (inflation-adjusted) investment return of the endowment fund. Endowment assets include those assets of donor-restricted funds that the ZSSD must hold in perpetuity or for a donor specified period as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested to attain an annual rate of total return exceeding the S&P 500 Total Return. This return (net of investment management fees) is expected to be in excess of the annual set spending rate over the long term. An annual withdrawal target of 5% of the fund's value, based generally on an expected annual total return of approximately 8%, offset by estimated inflation of 3%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: The ZSSD's target asset allocation is for 75% to 95% of the funds to be invested in public equity securities or equity mutual funds, of which not less than 50% of the portfolio placed in less than investment grade securities, defined as securities having a Standard & Poor's rating of less than a B+ rating.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

8. Temporarily and Permanently Restricted Net Assets (continued)

The endowment net asset composition by type of fund as of January 2, 2011, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 2,847	\$ 29,606	\$ 32,453
Board-designated endowment funds	56,794	—	—	56,794
Total funds	<u>\$ 56,794</u>	<u>\$ 2,847</u>	<u>\$ 29,606</u>	<u>\$ 89,247</u>

The changes in endowment net assets for the fiscal year ended 2010, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 56,277	\$ 379	\$ 29,151	\$ 85,807
Investment return:				
Investment income	1,097	658	—	1,755
Net appreciation (realized and unrealized)	5,298	2,815	—	8,113
Total investment return	6,395	3,473	—	9,868
Contributions	—	—	455	455
Appropriation of endowment assets for expenditure	(5,878)	(1,005)	—	(6,883)
Endowment net assets, end of year	<u>\$ 56,794</u>	<u>\$ 2,847</u>	<u>\$ 29,606</u>	<u>\$ 89,247</u>

Zoological Society of San Diego

Notes to Financial Statements (continued)
(All Dollar Amounts in Thousands)

8. Temporarily and Permanently Restricted Net Assets (continued)

The endowment net asset composition by type of fund as of December 27, 2009, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 379	\$ 29,151	\$ 29,530
Board-designated endowment funds	56,277	—	—	56,277
Total funds	<u>\$ 56,277</u>	<u>\$ 379</u>	<u>\$ 29,151</u>	<u>\$ 85,807</u>

The changes in endowment net assets for the fiscal year ended 2009, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 40,946	\$ —	\$ 25,594	\$ 66,540
Investment return:				
Investment income	1,072	507	—	1,579
Net appreciation (realized and unrealized)	17,000	1,642	—	18,642
Total investment return	18,072	2,149	—	20,221
Contributions	—	—	3,557	3,557
Appropriation of endowment assets for expenditure	(2,741)	(1,770)	—	(4,511)
Endowment net assets, end of year	<u>\$ 56,277</u>	<u>\$ 379</u>	<u>\$ 29,151</u>	<u>\$ 85,807</u>

9. Pension and Benefit Plans

The ZSSD has defined benefit pension plans that cover substantially all of its full-time employees. The plans provide benefits based upon years of service and final average earnings. The ZSSD's funding policy is to maintain asset balances equal to at least 80% of each plan's current liability as calculated under the Employee Retirement Income Security Act (ERISA).

Zoological Society of San Diego

Notes to Financial Statements (continued) (All Dollar Amounts in Thousands)

9. Pension and Benefit Plans (continued)

The ZSSD recognizes the overfunded or underfunded status of its defined pension plans as an asset or liability in its statements of financial position and recognizes changes in that funded status in the year in which the changes occur as changes in unrestricted net assets arising from defined benefits plans but not yet included in net periodic benefit cost in the statements of changes in net assets.

The funding status of the ZSSD's pension plans was as follows:

	2010	2009
Plan assets at fair value	\$ 88,703	\$ 67,889
Projected benefit obligation	(131,236)	(102,494)
Funded status	\$ (42,533)	\$ (34,605)
 Accumulated benefit obligation	 \$ 114,296	 \$ 90,988

Weighted-average assumptions:

	2010	2009
Discount rate	5.5%	6.0%
Expected return on plan assets	7.5%	7.5%
Rate of compensation increase	3.0%	3.0%

The discount rate is the estimated rate at which the obligation for pension benefits could effectively be settled. The expected return on plan assets reflects the average rate of earnings that the ZSSD estimates will be generated on the assets of the plans. The rate of compensation increase reflects the ZSSD's best estimate of the future compensation levels of the individual employees covered by the plans.

Plan assets are invested in equity and debt securities using separate investment funds. The ZSSD's management and board investment committee monitor performance against benchmark indices.

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

9. Pension and Benefit Plans (continued)

Return Objectives and Risk Parameters: The ZSSD has adopted investment policies for pension assets that is meant to provide funding for pension retirement payments to current and future retirees of the ZSSD's pension plans. The primary objectives are to maximize long-term growth and minimize risk of loss of principal. In addition, the ZSSD seeks to limit the year-to-year volatility of fluctuations in market valuations, which can impact the cash contributions required to maintain certain funding levels.

Strategies Employed for Achieving Objectives: To meet the objectives, the ZSSD maintains a diversified and balanced portfolio for pension investments. Equity investments range from 65% to 80% of the total portfolio, utilizing several investment advisors. Holdings include U.S. and foreign securities diversified across numerous industries. Debt investments range from 15% to 25% of the total portfolio. These include government and corporate debt securities. Investment policies prohibit more than 25% of the debt holdings to be less than investment grade rating.

The following table shows the asset allocation percentages for pension investments at year-end:

	<u>2010</u>	<u>2009</u>
Equity securities	76%	76%
Debt securities	16%	14%
Cash and cash equivalents	8%	10%
	100%	100%

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

9. Pension and Benefit Plans (continued)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the tables below,

- a. Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- b. Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost).
- c. Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

The following tables provide the method used to fair value certain assets and liabilities as of year-end 2010. Only assets measured at fair value are shown on the three-tier vale hierarchy.

Pension assets measured at fair value on a recurring basis as of year-end 2010 are as follows:

	Fair Value Measurements at Reporting Date Using				
	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Techniques (a,b,c)
Assets					
Cash and cash equivalents	\$ 6,678	\$ 6,678	\$ -	\$ -	(a)
Debt securities	14,619	-	14,619	-	(a)
Equity securities	67,406	67,406	-	-	(a)
Total assets	\$ 88,703	\$ 74,084	\$ 14,619	\$ -	

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

9. Pension and Benefit Plans (continued)

The following table sets forth benefit cost and benefits paid:

	<u>2010</u>	<u>2009</u>
Benefit cost	\$ 4,400	\$ 3,970
Benefits paid	\$ 2,542	\$ 2,369
Administrative expenses paid	\$ 107	\$ 92
Employer contributions	\$ 13,465	\$ 3,981

Net prior service cost amortization of \$303 and net loss amortization of \$1,442 were recorded in pension expense for 2010. Prior service cost of \$8,796 and an actuarial net loss of \$37,563 were included in unrestricted net assets at year-end 2010. The ZSSD expects to record \$825 of net prior service cost amortization and \$1,587 of net loss amortization in 2011.

The ZSSD expects to make a total of \$4,400 in pension contributions during fiscal year 2011.

The following table shows the amounts recognized in the statements of financial position:

	<u>2010</u>	<u>2009</u>
Accrued benefit cost	\$ 42,533	\$ 34,605

Benefit payments are expected to be paid as follows:

2011	\$ 2,903
2012	3,053
2013	3,537
2014	4,054
2015	4,885
Thereafter	35,782
	<u>\$ 54,214</u>

Zoological Society of San Diego

Notes to Financial Statements (continued)

(All Dollar Amounts in Thousands)

9. Pension and Benefit Plans (continued)

Several amendments were made to the pension plans in 2010 and 2009 making modifications to certain section for clarification purposes and administrative changes to maintain compliance with pension regulations. In December 2010, an amendment was made in one of the plans related to the definition of hours worked for the calculation of pension liability.

The ZSSD also maintains a 403(b) defined contribution plan, covering employees who meet certain age and service requirements. Eligible employees may contribute a portion of their earnings each plan year subject to certain Internal Revenue Service limitations. The 403(b) defined contribution plan allows for employer matching contributions to eligible employees. Employer matching contributions was temporarily suspended for 2009 and 2010.

10. Collective Bargaining Agreement

The ZSSD is a party to a collective bargaining agreement with a labor union. The agreement expires in February 2013. At year-end 2010, there were 1,555 employees or approximately 64% of total employees represented by a labor union.

11. Commitments and Contingencies

The ZSSD 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 or results of operations of the ZSSD. The ZSSD has entered into certain noncancelable lease agreements for a warehouse facility and office space as well as noncancelable lease agreements for computer equipment, vehicles and office equipment. Rent expense was \$1,062 and \$1,220 for the years ended 2010 and 2009, respectively. Minimum lease payments under these agreements are as follows:

2011	\$ 1,364
2012	604
2013	276
2014	228
Thereafter	135
	<hr/>
	\$ 2,607

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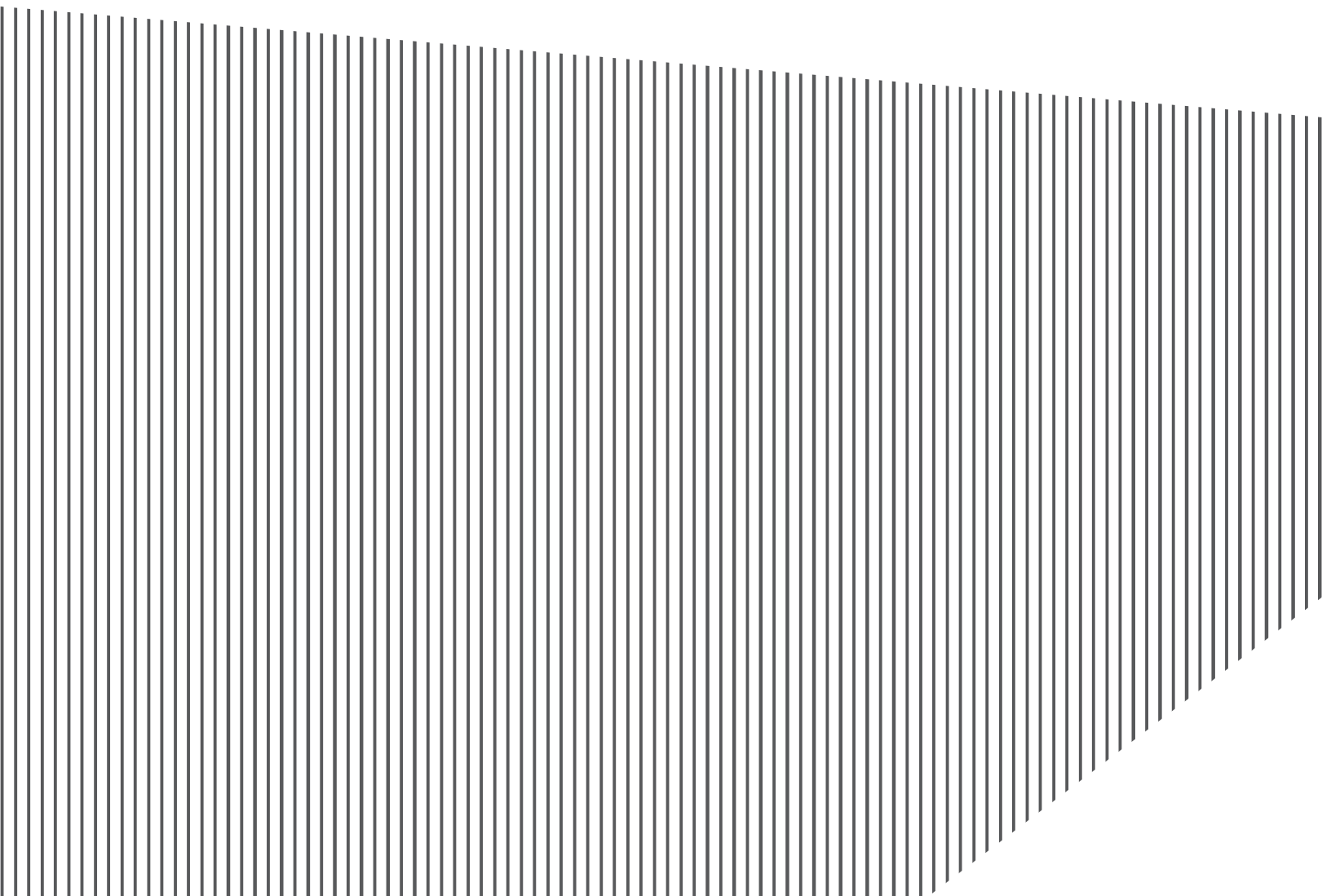
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Performance Audit of the Zoological Exhibits Fund

CHANGES ARE NEEDED TO IMPROVE FUND BUDGETING,
OPERATIONS, AND TRANSPARENCY

MAY 2013

Audit Report
Office of the City Auditor
City of San Diego



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THE CITY OF SAN DIEGO

May 6, 2013

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is a performance audit report on the Zoological Exhibits Fund. This report was conducted in accordance with the City Auditor's Fiscal Year 2013 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief is presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix A. The Administration's and the San Diego Zoo's responses to our audit recommendations are presented after page 22 of this report.

We would like to thank staff from the Financial Management Department, Office of the City Comptroller, and the San Diego Zoo for their assistance and cooperation during this audit. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Amanda Lamb and Matthew Helm.

Respectfully submitted,

Eduardo Luna
City Auditor

cc: Jan Goldsmith, City Attorney
Scott Chadwick, Interim Chief Operating Officer
Nelson Hernandez, Assistant Chief Operating Officer
Jeff Sturak, Financial Management Director
Greg Bych, Interim Chief Financial Officer
Ken Whitfield, City Comptroller
Paula S. Brock, Chief Financial Officer, San Diego Zoo
Andrea Tevlin, Independent Budget Analyst

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Results in Brief

The San Diego Zoo (the Zoo) attracts an average of 3.5 million visitors each year,¹ and tourism spending from Zoo visitation provides significant direct and indirect benefits to San Diego's economy. In 1934, San Diego voters approved an amendment to the City Charter to support the Zoo in recognition of its importance to the local economy. Specifically, Section 77a of the City Charter authorizes the assessment of a property tax levy within the City for the purposes of maintaining the Zoo's exhibits.

The objectives of this audit were to:

1. Evaluate the operations and processes related to the Zoological Exhibits Fund; and
2. Assess the extent to which the Zoo's expenditures of City property tax revenues are transparent and accountable.

In general, we found that the funds are assessed, collected, and expended in a manner broadly consistent with the City Charter for the period that we reviewed (FY 2003-2013). However, we also found several opportunities to improve the efficiency, transparency, and accountability of the process.

First, we found that the methodology for budgeting and the process for administering Charter Section 77a funds has evolved over time as an ad hoc set of departmental practices, but no specific policies or written guidance for administering the funds currently exist. As a result, there is inconsistency in budgeting and operating the Zoological Exhibits Fund, especially given staff turnover rates in recent years. For example, Financial Management does not have established policies or written procedures for calculating the Zoological Exhibits Fund budget. During the period of our review, we

¹ Based on reported attendance figures from 2009 to 2012.

found that the process and methodology for the fund budget have varied widely. Accordingly, we recommend that Financial Management reevaluate the current methodology to improve accuracy and consistency.

Second, we found that there is an opportunity for greater oversight and transparent accounting of how Charter Section 77a funds are expended. Specifically, the City has not undertaken an effort to monitor how the Zoo expends the funds. Additionally, the Zoo accounts for Charter Section 77a funds only at the level of its general fund and are not currently able to determine if the funds have been expended specifically on maintenance of zoological exhibits. Although the language in Section 77a is very broad, efforts should be made by the City and Zoo to provide greater transparency and accountability over the use of funds collected from City residents under the Charter provision.

We made two recommendations to the City Administration to improve administration of the Zoological Exhibits Fund and increase oversight and transparency over how Charter Section 77a funds are used. The Administration and the Zoo agreed with both recommendations.

Background

The San Diego Zoo (the Zoo) is a conservation, education, and recreation organization in the City of San Diego's Balboa Park. While the Zoo is a nonprofit organization and is not affiliated with the City, it does receive partial funding through property taxes assessed and collected by San Diego County. These funds are passed through the City's Zoological Exhibits Fund and disbursed to the Zoo for the purposes of maintaining zoological exhibits.

The objectives of this audit were to:

1. Evaluate the operations and processes related to the Zoological Exhibits Fund; and
2. Assess the extent to which the Zoo's expenditures of City property tax revenues are transparent and accountable.

Legal History The San Diego Zoo receives partial funding from property taxes due to a voter-approved section of the San Diego City Charter (Section 77a). Section 77a was originally approved by San Diego voters in 1934, amended in 1941, and states, in part:

"The Council shall levy annually, in addition to all other taxes provided for in this Charter, not less than two cents (\$0.02) on each one hundred dollars (\$100.00) of the assessed valuation of the real and personal property within the City, to be used exclusively for the maintenance in Balboa Park of zoological exhibits."

In 1981 the tax rate of \$0.02 per \$100 assessed value was adjusted to \$0.005 per \$100 of assessed value to account for changes to California's Revenue and Taxation code.² This tax rate has remained the same since that time.

² City Charter Section 77a requires a two-cent tax levy on each \$100 of assessed valuation. California Revenue and Taxation Code Section 135 now defines "assessed value" as full value.

A 1979 lease agreement between the City and the Zoo for 55 years (expiring in 2034) reiterates that Section 77a monies are to be used exclusively for the maintenance of zoological exhibits. Section 77a also states that, when in the best interest of the City, the Council may enter into a contract with any organization “formed primarily for the purposes of maintaining zoological gardens and zoological exhibits,” and may pay Section 77a funds directly to that organization. Currently, the Zoo receives the funds directly from the City, and the Zoo has an in-house program to maintain zoological exhibits. There are no additional contracts or other agreements with the Zoo or any other organization governing the disbursement or expenditure of Section 77a funds.

There have been attempts in the past to amend Section 77a and apply those funds to programs other than the maintenance of zoological exhibits. For instance, in 2008, the City Attorney’s Office released a legal memorandum regarding the City’s obligation to support the San Diego Zoo with tax revenues as set forth in Section 77a. In that memo, the City Attorney found the City is required to continue to levy a tax to be used by the Zoo for the purposes of maintaining exhibits.³ Furthermore, the City Attorney reiterated that the City may not divert those funds for any other purposes, including using the funds for other Balboa Park programs. Additionally, the memo indicated the funds may not be used by any other organization other than one contracting with the City to perform maintenance of zoological exhibits.⁴

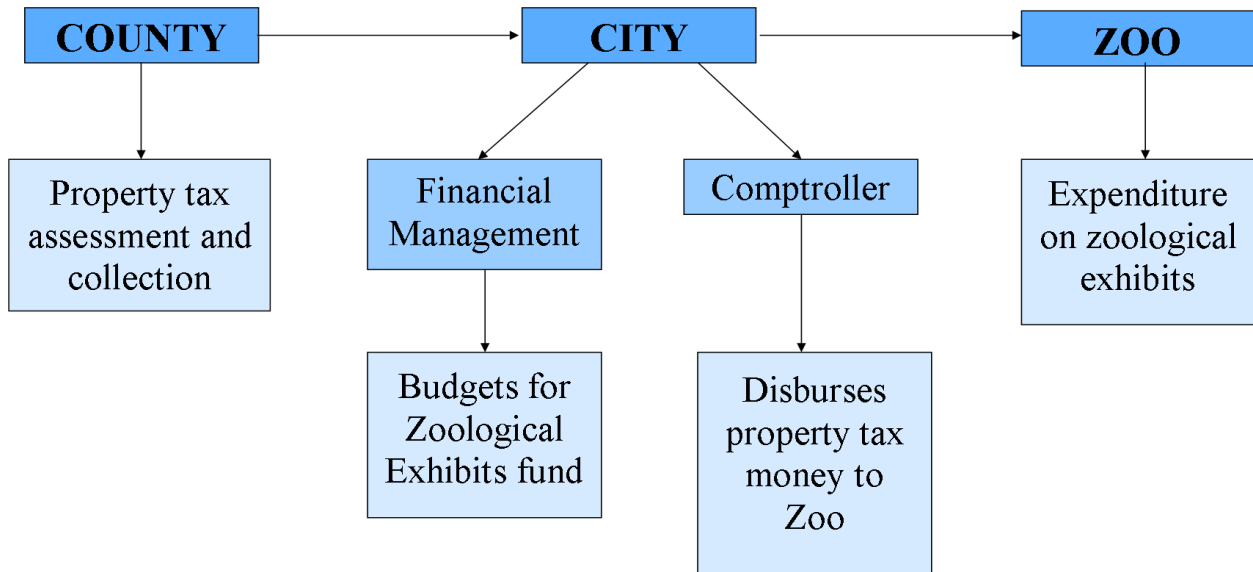
³ In 2004, the San Diego City Attorney also released a memorandum analyzing a ballot proposal to divert Section 77a funds from zoological exhibits to other purposes. The office concluded that Section 77a was not subject to the requirements of Proposition 13, which placed limits on property tax increases. Because Section 77a was approved prior to the passage of Proposition 13, its provisions were grandfathered in. However, any changes made to that Section, including diverting those funds to other purposes, are not entitled to grandfathered status and therefore would impose an unlawful property tax that would violate the California Constitution.

⁴ In 1941 and 1948, the City Attorney released opinions that stated (respectively) that any surplus funds from Section 77a money cannot be transferred to the City’s General Fund, nor may any increase in funds from the rise of property values be diverted for any other purposes than those stated in the City Charter.

Overview of the Section 77a Process Section 77a of the City Charter requires the collection of \$0.005 (one-half of one cent) per \$100 assessed value and the disbursement of those monies to the Zoological Society of the San Diego Zoo for the purposes of maintaining the zoological exhibits. There are essentially three phases to the Section 77a process, as described in Exhibit 1.

Exhibit 1

Section 77a Process



Source: OCA.

*Assessment and
Collection*

Each year, San Diego County assesses property values to determine taxes owed. This includes Section 77a property taxes, which are assessed at a rate of \$0.005 per \$100 assessed value, as set forth in the City Charter and an ordinance passed by the City Council each year.⁵ Total assessed values averaged \$178.6 billion from 2008 to 2012.

The County sends an assessed values report to the City each year in July, so the City knows approximately how much revenue to expect for purposes of creating a budget for the Zoological Exhibits Fund. During the last five years, the Zoological Exhibits Fund budget has averaged \$8.5 million, which is approximately equal to \$0.005 per \$100 of assessed valuation.

After the assessment process is complete, County and City residents and businesses receive and pay property tax bills. As property tax revenues are collected, revenues are apportioned to the City on a monthly basis.

Budget and Disbursement

The County does not remit collected funds directly to nongovernmental agencies. As a result, Section 77a money is passed through the City to be disbursed to the Zoo. The County Assessor's Office first sends a report of the assessed values to the City's Financial Management Department (FM). After receiving the assessed valuation report from the County, FM applies numerous adjustments to the figures before applying the \$.005 levy per \$100 of assessed value formula that sets the budget for the zoo fund. This process includes adjustments for:

- Roll Corrections: Done in anticipation of appeals and adjustments in assessed value; based on an average of the past three years' roll corrections.⁶
- Delinquencies: A conservative estimate of unpaid (delinquent) property taxes based on actual delinquency rates in previous years.

⁵ This ordinance authorizes the County to collect property taxes at the rate set by the Charter.

⁶ A tax roll is a breakdown of all property within a given jurisdiction, such as a city or county that can be taxed. The tax roll will list each property separately in addition to its assessed value.

- Homeowners Exemption: Revenue and Taxation Code Section 218 provides every homeowner an exemption on the assessed value of their home. Since the revenues associated with this exemption are not subject to delinquency, and, as such are not included in the net valuation, the amounts are added back to establish an accurate base from which unsecured property tax revenues can be calculated.

These and other adjustments are subtracted from the total assessed value for both secured and unsecured property. After the adjustments are made, the tax rate of \$0.005 per \$100 of assessed value is applied, and the budget is set. The budget information is sent to the Offices of the City Comptroller and City Attorney, which prepare a report to the City Council. See **Exhibit 2** below for the City’s Zoological Exhibits Fund budget.

Exhibit 2

Zoological Exhibits Fund Budget, FY2003-2013

Zoological Exhibits Fund	
Fiscal Year	Budget
FY 2003	\$5,064,441
FY 2004	5,645,781
FY 2005	9,188,632
FY 2006	6,642,067
FY 2007	7,676,765
FY 2008	8,946,525
FY 2009	9,679,780
FY 2010	8,024,409
FY 2011	8,018,590
FY 2012	8,018,590
FY 2013	8,081,538
TOTAL	\$84,987,118

Source: City of San Diego Adopted Budgets, FY 2003-2013.

The City Council then passes an ordinance to approve the tax rate. The ordinance provides the County Assessor’s Office with the authority to collect the tax on behalf of the City. Information on the adjustments made to the overall assessed values and the Zoological Exhibits Fund budget are also included in the ordinance.

The City receives Section 77a money from the County on a rolling (monthly) basis. Twice per year, the Zoo receives notification from the Office of the City Comptroller regarding the amount in the fund. The Zoo then invoices the City for the amount and the City Comptroller remits a payment to the Zoo. It should be noted that the disbursement of the funds to the Zoo is independent of the City's budget process; that is, the Zoo receives all Section 77a property tax revenue regardless of the amount budgeted for the Zoological Exhibits Fund.

Expenditure The final requirement is that the funds are expended by the Zoo in accordance with the City Charter and spent on maintaining zoological exhibits. After receiving the Section 77a money from the City, the Zoo adds that money to their general fund. The Zoo's general fund covers a variety of non-revenue producing expenses.⁷ The Zoo does not have a separate fund dedicated solely to the receipt and expenditure of Section 77a money, although money from the Zoo's general fund is used for maintenance of zoological exhibits. From 2008-2012,⁸ total Zoo expenses averaged \$42.8 million⁹ and the average amount received in tax revenue was \$9.9 million (representing approximately 23 percent of overall expenses). See **Exhibit 3** below. Also, see **Exhibit 4** for a recent example of exhibit maintenance underway and the San Diego Zoo.

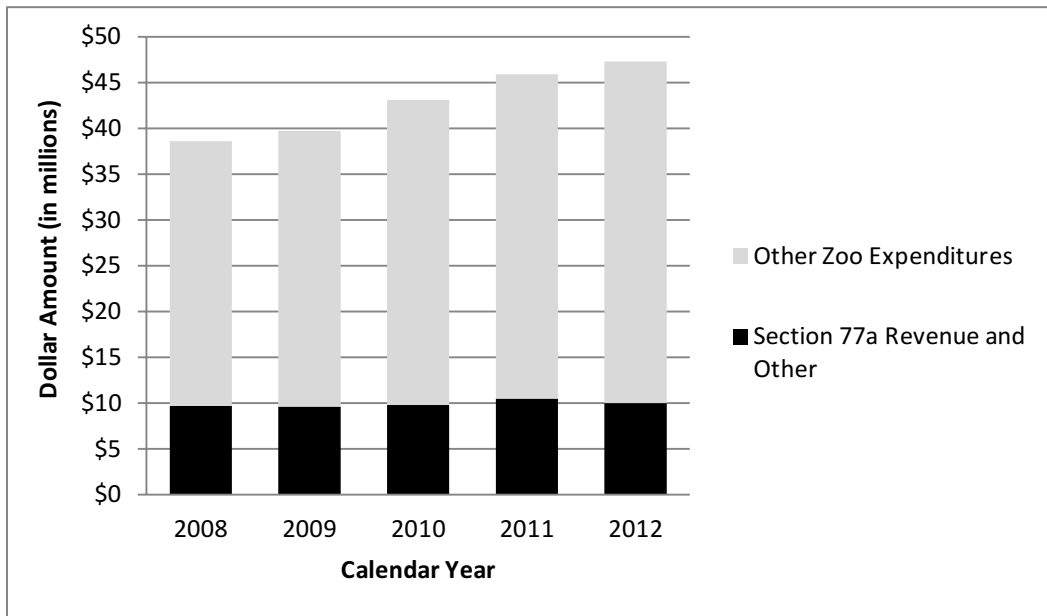
⁷ Excludes food service, merchandising, on-site marketing, and membership.

⁸ Years for which records on overall Zoo expenditures and total Section 77a money collected are available.

⁹ A small portion of this total amount includes other revenues the Zoo receives, such as cell towers fees, recycling, ATM/hotel fees, and education programs receipts.

Exhibit 3

Zoological Society Annual Expenditures, CY 2008-2012



Note: A small portion of the total revenue amounts shown includes other revenues the Zoo receives, including cell tower fees, recycling, ATM/hotel fees, and education program receipts.

Source: OCA analysis based on expenditure summaries and financial data provided by the Zoological Society.

Exhibit 4

Construction and Maintenance Underway at San Diego Zoo



Source: OCA

Audit Results

Finding 1: Budgeting Methodology and Administration of the Zoological Exhibits Fund Lack Consistency

The City's methodology for budgeting and process for administering City Charter Section 77a funds have evolved over time as an ad hoc set of departmental practices. The lack of policies or written guidance has resulted in methodological inconsistencies and a lack of clarity in overall operation of the Zoological Exhibits Fund.

Financial Management Does Not Have Policy or Written Guidance for Budgeting the Zoological Exhibits Fund

Financial Management (FM) has not established policies or written procedures for calculating the Zoological Exhibits Fund budget. During the period of our review (FY 2003-2013), we found that the process and methodology for establishing the fund budget have varied widely.

As previously mentioned, after receiving the assessed valuation report from the County, FM applies a series of adjustments to account for various issues, such as delinquencies and appeals, before applying the tax rate and setting the budget. While these adjustments are applied in an attempt to account for the difference between the assessed value of property and the actual property tax collected, it does not appear that the adjustments have necessarily improved the accuracy of the budgets. For instance, according to FM staff, the delinquency rate is a conservative estimate based on the actual percentage collected. In FY 2013, FM estimated a delinquency rate of 2.5 percent for secured property and adjusted the budget based on that estimation. However, the actual delinquency rate during the prior year (FY 2012) was 0.3 percent.

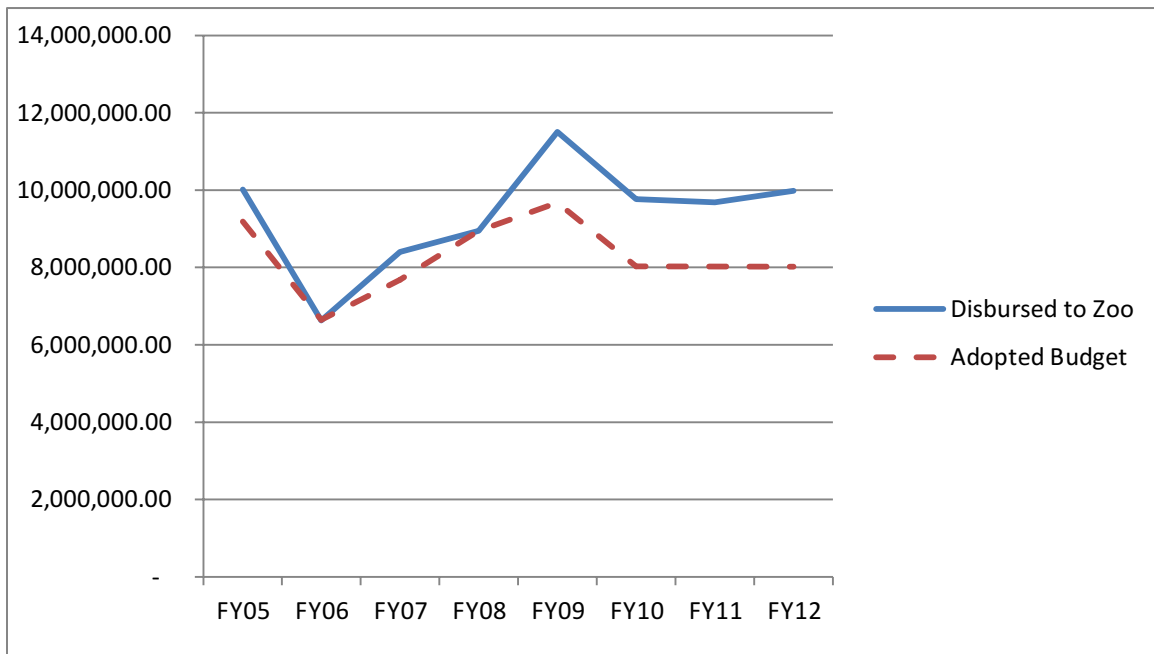
Furthermore, as Exhibit 5 illustrates, in most years there is a significant difference between the budgeted amount for the Zoological Exhibits Fund and the actual amount collected and disbursed. Disbursement of these funds to the Zoo depends solely on the actual tax collected and not on the budget.

Therefore, this disparity between the budgeted and the collected amounts does not impact the amount of money disbursed to the Zoo. However, the process of making adjustments prior to setting the budget requires FM staff time and resources, and does not appear to improve the accuracy of the budget.

Given the disparity between budgeted amounts and actual disbursements, FM should reevaluate the current budgeting methodology. For example, FM could consider using a five-year moving average based on previous years' actual disbursed amounts. Under the current methodology, the difference between the Zoological Exhibits Fund budget and disbursed amounts averaged \$1.8 million for FY 2010-2012. However, applying a simpler five-year moving average methodology would have been more accurate and yielded an average difference of \$541,000 for the same period.

Exhibit 5

Zoological Exhibits Fund Budget Vs. Actual, FY 2005-2012



Source: OCA, based on City financial data and Adopted Budgets for the Zoological Exhibits Fund.

Additionally, these adjustments have not been applied in a consistent manner over the period of our review. For instance, from FY 2003-2009, a delinquency rate was set for both secured and unsecured property. In the years that followed, separate rates were set. Additionally, roll corrections were not taken into account until FY 2008.

According to FM, changes have been made to the process in order to increase the accuracy of the budget. However, there are not written policies or procedures for handling the Zoo fund. There is also significant turnover in the handling of the Zoological Exhibits Fund, with annual turnover of FM staff overseeing fund budgeting in the past several years. Consequently, a lack of consistent budgeting policies and written guidance, combined with staff turnover, have resulted in inconsistency in the budgeting process for the Zoological Exhibits Fund.

**Opportunity to Improve
Operational Processes
and Coordination**

We also found a lack of consistency in the City's communication and operational processes with the Zoo. In general, we found little evidence of ongoing, regular communication between the City and the Zoo on fund budgeting issues. For instance, the Zoo does not receive regular reports on the fund balances from the Comptroller regarding the Zoological Exhibits Fund. Instead, twice a year the Zoo is notified of the amount to invoice the City in order to receive a disbursement. Interviews with Zoo and City personnel suggest that this is the only communication the City has with the Zoo regarding this fund. Increased and improved coordination between City departments and the Zoo would enable all parties to have a common understanding of processes and timelines, and would provide a foundation for greater oversight and transparency over the use of Section 77a funds.

Recommendation #1 The Financial Management Department should reevaluate and consider simplifying the current budgeting methodology for the Zoological Exhibits Fund. Additionally, the Financial Management Department should, in consultation with the Office of the City Comptroller, establish guidance related to management of the Zoological Exhibits Fund. The written guidance should address budget methodology, departmental roles and responsibilities, and general timeframes. (Priority 2)

Finding 2: The City Does Not Monitor Use of Zoological Exhibits Funds, nor Does the Zoo Specifically Account for How City Charter Section 77a Funds Are Expended

Based on our analysis of historical budget and legal documents, and interviews with cognizant City officials, we found that the City does not monitor whether the Zoo has expended Zoological Exhibit Funds in a manner consistent with the City Charter Section 77a. Further, we found that the Zoo accounts for Section 77a funds only at a broad level within the Zoo's general fund. As a result, neither the City nor the Zoo can definitively determine that funds collected under Section 77a are being used specifically for maintenance of zoological exhibits. Transparent use of the Section 77a funds is further complicated by lack of a clear, agreed-upon definition of what constitutes "maintenance of zoological exhibits."

City Does Not Monitor Zoo's Use of Zoological Exhibit Funds

City Charter Section 77a authorizes the collection of property taxes to be used specifically for the maintenance of zoological exhibits. Although this requirement is not further defined in the Charter, nor in any other agreement between the City and the Zoo, the City does not require any reporting on the expenditure of Section 77a funds. Further, the City has not engaged in any other effort to determine if property taxes collected pursuant to Section 77a are expended in a manner consistent with the Charter.

The Zoo Does Not Specifically Track Expenditures of Section 77a Funds, and Definitional Issues Are Problematic

The Zoo deposits receipts from the City of property taxes collected under Section 77a directly into the Zoological Society's general fund. Notably, the Zoo does not specifically track expenditures of revenues received from the City under Section 77a in more detail beyond the general fund level. However, as noted above, the City has never requested a detailed or general accounting of the Zoo's use of Section 77a funds. Because the Zoo accounts for Section 77a revenues only at the general fund level, it is not possible to determine specifically whether the Zoo expends Section 77a funds on the maintenance of zoological exhibits.

Another complicating factor in determining use of Section 77a funds is the lack of an agreed-upon definition of what constitutes maintenance of zoological exhibits. Zoo officials noted that “zoological exhibits” can be broadly defined to include upkeep of the entire inventory of the Zoo’s flora, fauna, and related structures. Under that definition, the costs associated with maintaining zoological exhibits clearly exceed the amounts received from tax revenue. The same holds true even under a narrower definition of zoological exhibits. For example, the total expenses for the Zoo’s animal husbandry, which includes exhibits, was \$19.3 million in 2011.¹⁰ In the same year, Section 77a revenues from the City totaled \$10.5 million.

The Zoo’s process for accounting for Section 77a funds could be changed to improve transparency and accountability. The Zoo currently has the capacity to establish designated funds in its accounting system. For instance, some citizens or organizations will donate money to the Zoo for a specific capital project or even a specific animal. The Zoo has the accounting infrastructure in place to be able to track these types of restricted giving revenues and ensure that the funds are expended for the designated purpose.

A similar accounting structure would enable the Zoo to track the Section 77a money that the Zoo receives. Further, the issue of what constitutes “maintenance of zoological exhibits” could be addressed by defining an agreed-upon set of expenditures for the Zoo to track. Revising the Zoo’s current accounting structure to record a specified subset of expenditures related to maintaining zoological exhibits would enable both the City and the Zoo to ensure that the funds are used in a manner consistent with Section 77a. This would improve both transparency and accountability over the use of Section 77a funds.

¹⁰ According to the Association of Zoos and Aquariums, animal husbandry is generally considered to be a cost component of maintaining zoological exhibits.

Recommendation #2 In order to improve transparency and oversight of taxpayer funds, the City Administration should request that the Zoological Society establish an accounting structure to specifically account for San Diego Charter Section 77a funds. The revised accounting structure should include a clearly-defined set of expenditures related specifically to the maintenance of zoological exhibits. (Priority 2)

Conclusion

Nearly 80 years ago, San Diego taxpayers voted to allocate property tax dollars to the San Diego Zoo for the purposes of maintaining zoological exhibits. In so doing, the voters codified an appreciation for the economic and social impact the San Diego Zoo (the Zoo) has on the City and its residents.

The City Charter's broad language provides little detail regarding the administration and oversight of these tax revenues. Further, the City has never undertaken a review of the mechanism—the Zoological Exhibits Fund—used to allocate the funds to ensure the fund is operating in an efficient and effective manner. While our review found no direct inconsistencies between current operations and the City Charter, we did identify opportunities to improve the efficiency, transparency, and accountability of the management and use of these taxpayer funds.

We encountered City Financial Management Department staff who are dedicated to establishing an intellectually honest budget for the Zoological Exhibits Fund. In order to effectuate this, the Department uses an ad hoc practice that has been developed over the years. However, the Department does not have set policies or guidance for budgeting and managing the fund to ensure consistency in the process.

Because the fund is the mechanism for directing property tax revenue to a nongovernmental organization, it is important that the process is consistent, transparent, and that both organizations are held accountable to taxpayers.

We also identified several areas where the City and the Zoo could work to improve transparency over the use of taxpayer money. Although the Zoo has not in past been required to report on how the property tax revenue is spent, the Zoo has an adequate accounting system and capacity to improve transparency over the use of taxpayer money.

The San Diego Zoo is an important part of the City's economy

and culture. San Diego citizens support the organization through the provision of property taxes for the maintenance of zoological exhibits. Making a few minor adjustments to the process of budgeting, operating, and overseeing the Zoological Exhibits Fund, as well as documenting procedures to enhance clarity, will allow the process to be more efficient, transparent, and accountable to the taxpayers.

Recommendations

Recommendation #1 The Financial Management Department should reevaluate and consider simplifying the current budgeting methodology for the Zoological Exhibits Fund. Additionally, the Financial Management Department should, in consultation with the Office of the City Comptroller, establish guidance related to management of the Zoological Exhibits Fund. The written guidance should address budget methodology, departmental roles and responsibilities, and general timeframes. (Priority 2)

Recommendation #2 In order to improve transparency and oversight of taxpayer funds, the City Administration should request that the Zoological Society establish an accounting structure to specifically account for San Diego Charter Section 77a funds. The revised accounting structure should include a clearly defined set of expenditures related specifically to the maintenance of zoological exhibits. (Priority 2)

Appendix A: Objectives, Scope, and Methodology

The objectives of this audit were to:

1. Evaluate the operations and processes related to the Zoological Exhibits Fund; and
2. Assess the extent to which the Zoo's expenditures of City property tax revenues are transparent and accountable.

To evaluate the collection, disbursement, and expenditures of fund, we reviewed the City Charter, lease agreement between the City and the San Diego Zoo (Zoo), and legal opinions provided by the Office of the City Attorney on the scope of the Charter requirement.

We obtained and analyzed data from the County on assessed values and collected property taxes and the collection and disbursement of the funds from the City's financial management system (SAP). We performed reliability testing on data used in this report, including verifying that the money contained within the Zoological Exhibits Fund was properly disbursed to the Zoo by comparing payments with invoiced amounts. We also reviewed tax documents and annual expenditure reports from the Zoo to verify the reported property tax revenues matched City records of payments. The data sets included all available data from fiscal year 2003 through 2013.

To determine the extent to which the operation of the Fund is efficient, transparent, and accountable, we interviewed staff members of the County Assessor's Office, the City's Financial Management Department, Office of the City Comptroller, and Zoo finance and facilities staff. We reviewed management documents related to the administration of the fund and the budget setting process. Additionally, we researched national standards and best practices for fund management, including best practice recommendations from the Government Finance Officers Association and the Government Auditing Standards Board.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor thanks the Financial Management Department, the Office of the City Comptroller, the San Diego Zoo, and the San Diego County Assessor's Office for their assistance and cooperation during this audit. The valuable staff time and efforts spent on providing us information are greatly appreciated.

Appendix B: Definition of Audit Recommendation Priorities

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The Office of the City Auditor maintains a classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class ¹¹	Description ¹²	Implementation Action ¹³
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring.	Immediate
2	A potential for incurring significant or equivalent fiscal and/or non-fiscal losses exist.	Six months
3	Operation or administrative process will be improved.	Six months to one year

¹¹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.

¹² For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$50,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$100,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its residents.

¹³ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration.



THE CITY OF SAN DIEGO
M E M O R A N D U M

DATE: April 24, 2013

TO: Eduardo Luna, City Auditor

FROM: Jeff Sturak, Financial Management Director
Ken Whitfield, City Comptroller

SUBJECT: Management Response to Performance Audit of the Zoological Exhibits Fund

The Financial Management department and Office of the City Comptroller have reviewed the City Auditor's recommendations in the audit report examining the Zoological Exhibits Fund. Our response to each of the audit recommendations is documented below.

Finding 1:

Recommendation #1: Financial Management should reevaluate and consider simplifying the current budgeting methodology for the Zoological Exhibits Fund. Additionally, Financial Management should, in consultation with the Comptroller, establish guidance related to management of the Zoological Exhibits Fund. The written guidance should address budget methodology, departmental roles and responsibilities, and general timeframes.

Recommendation #1 Management Response: **Agreed**

The Financial Management (FM) Department will evaluate and consider the suggestions by the Office of the City Auditor to simplify the current budget methodology for the Zoological Exhibit Fund and take all steps necessary in efforts to improve the process. In addition, FM will work with the Office of the City Comptroller to expand the written guidance in the form of an instructional handbook available in tangible and electronic formats to ensure budgetary consistency through each fiscal year. The handbook will have sections such as budget methodology, departmental roles and responsibilities, as well as general time frames. This will be completed by February 2014, in time for the FY15 budget development cycle.

Recommendation #2: In order to improve transparency and oversight of taxpayer funds, City Administration should request that the Zoological Society establish an accounting structure to specifically account for San Diego Charter, Section 77a funds. The revised accounting structure should include a clearly defined set of expenditures related specifically to the maintenance of zoological exhibits.

Recommendation #2 Management Response: Zoo Agreed

Page 2
Management Response to Zoological Exhibits Fund Audit
April 24, 2013

This is a recommendation directed to zoo management. Please see the attached responsive letter from the Zoological Society of San Diego.



SAN DIEGO ZOO GLOBAL

April 3, 2013

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San Diego, CA 92101

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David Woodruff, Ph.D., D.Sc.

Dear Mr. Luna,

At the exit conference for the Performance Audit of the Zoological Exhibits Fund (SD City charter section 77a), the Zoological Society of San Diego (DBA San Diego Zoo) was presented with a draft of the audit report. This letter serves as our response to the recommendations included in the draft audit report pertaining to the Zoo's accounting for Charter Section 77a funds ("Funds").

TRUSTEES EMERITI

Frank C. Alexander

Kurt Benirschke, M.D.

Weldon Donaldson

Thompson Fetter

Bill L. Fox

Frederick A. Frye, M.D.

George L. Gildred

Yvonne W. Larsen

John M. Thornton

A. Eugene Trepte

Betty Jo F. Williams

Charles L. Bieler

Executive Director Emeritus

Douglas G. Myers

President/CEO

The report identifies an opportunity to increase overall tracking and transparency regarding the use of the Funds. In response, the Zoo agrees to modify its internal accounting procedures as described below. We emphasize, however, that no improper expenditures of Funds have been made and at all times the Zoo has used the Funds strictly for the "maintenance of zoological exhibits" as provided for under Charter Section 77a, including only expenditures required to maintain the plant and animal collections and exhibition facilities (e.g., all animal collections activities, veterinary services, nutritional services, horticultural activities, browse, education outreach, guest services, facility maintenance, and facility administration.) As noted in the audit report, these expenditures far exceed the funding provided under Section 77a.

Going forward, the Zoo will take the following steps:

- establish a segregated account exclusively for the receipt and expenditure of Funds for the maintenance of zoological exhibits as specified under Charter Section 77a;

ZOOLOGICAL SOCIETY OF SAN DIEGO

Post Office Box 120551, San Diego, CA 92112-0551 USA Telephone (619) 231-1515



Zoological and Botanical Gardens: Accredited by the Association of Zoos and Aquariums and American Alliance of Museums
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- upon request from the city, produce a report identifying all such receipts and expenditures;
- on all future invoices to the City, the Zoo will provide an attestation statement signed by management that Funds received from the City will be used exclusively for the maintenance of zoological exhibits within Balboa Park.

We appreciate the opportunity to submit this response and look forward to working cooperatively with the City to provide unparalleled zoological exhibits to the citizens of San Diego and visitors from around the world.

Sincerely,

A handwritten signature in cursive script, reading "Paula S. Brock", is written over a horizontal line.

Paula S. Brock
Chief Financial Officer

Zoological Exhibits Maintenance



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Zoological Exhibits Maintenance



Fund Description

The City's budget reflects funds utilized for the maintenance of zoological exhibits in Balboa Park which are financed from a fixed property tax levy (one-half cent per \$100 of assessed valuation) as authorized by Section 77A of the City Charter. This fund is administered by the Financial Management Department.



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Zoological Exhibits Maintenance

Department Summary

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013-2014 Change
FTE Positions (Budgeted)	0.00	0.00	0.00	0.00
Personnel Expenditures	\$ -	\$ -	\$ -	\$ -
Non-Personnel Expenditures	9,980,324	8,081,538	10,030,000	1,948,462
Total Department Expenditures	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000	\$ 1,948,462
Total Department Revenue	\$ 10,169,022	\$ 8,081,538	\$ 10,030,000	\$ 1,948,462

Zoological Exhibits Maintenance

Department Expenditures

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013-2014 Change
Zoological Exhibits Maintenance	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000	\$ 1,948,462
Total	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000	\$ 1,948,462

Significant Budget Adjustments

	FTE	Expenditures	Revenue
Adjustment to Zoological Exhibits	0.00	\$ 1,948,462	\$ 1,948,462
Adjustment to reflect an increase in projected revenue and expenditures.			
Total	0.00	\$ 1,948,462	\$ 1,948,462

Expenditures by Category

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013-2014 Change
NON-PERSONNEL				
Contracts	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000	\$ 1,948,462
NON-PERSONNEL SUBTOTAL	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000	\$ 1,948,462
Total	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000	\$ 1,948,462

Revenues by Category

	FY2012 Actual	FY2013 Budget	FY2014 Adopted	FY2013-2014 Change
Charges for Services	\$ 62,554	\$ -	\$ -	\$ -
Property Tax Revenue	10,106,193	8,081,538	10,030,000	1,948,462
Rev from Other Agencies	275	-	-	-
Total	\$ 10,169,022	\$ 8,081,538	\$ 10,030,000	\$ 1,948,462

Zoological Exhibits Maintenance

Revenue and Expense Statement (Non-General Fund)

Zoological Exhibits Maintenance	FY2012 Actual	FY2013 [*] Budget	FY2014 Adopted
BEGINNING BALANCE AND RESERVES			
Balance from Prior Year	\$ 762,697	\$ 182,868	\$ 408,518
TOTAL BALANCE AND RESERVES	\$ 762,697	\$ 182,868	\$ 408,518
REVENUE			
Property Tax	\$ 10,106,193	\$ 8,081,538	\$ 10,030,000
Revenue from Other Agencies	275	—	—
Charges for Current Services	62,554	—	—
TOTAL REVENUE	\$ 10,169,022	\$ 8,081,538	\$ 10,030,000
TOTAL BALANCE, RESERVES, AND REVENUE	\$ 10,931,719	\$ 8,264,406	\$ 10,438,518
OPERATING EXPENSE			
Non-Personnel Expense	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000
TOTAL OPERATING EXPENSE	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000
TOTAL EXPENSE	\$ 9,980,324	\$ 8,081,538	\$ 10,030,000
TOTAL RESERVES			
BALANCE	\$ 951,395	\$ 182,868	\$ 408,518
TOTAL BALANCE, RESERVES, AND EXPENSE	\$ 10,931,719	\$ 8,264,406	\$ 10,438,518

^{*}At the time of publication, audited financial statements for Fiscal Year 2013 were not available. Therefore, the Fiscal Year 2013 column reflects final budget amounts from the Fiscal Year 2013 Adopted Budget. As such, current fiscal year balances and reserves are estimates of carryover from the previous fiscal year.

Form **990**
 Department of the Treasury
 Internal Revenue Service

Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)
 The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047
2011
Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization ZOOLOGICAL SOCIETY OF SAN DIEGO	D Employer identification number 95-1648219
	Doing Business As SAN DIEGO ZOO GLOBAL	E Telephone number (619) 231-1515
	Number and street (or P O box if mail is not delivered to street address) Room/suite POST OFFICE BOX 120551	G Gross receipts \$ 314,314,761
	City or town, state or country, and ZIP + 4 SAN DIEGO, CA 92112	H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions) H(c) Group exemption number

I Tax-exempt status: 501(c)(3) 501(c) () (insert no) 4947(a)(1) or 527

J Website: WWW.SANDIEGOZOO.ORG

K Form of organization: Corporation Trust Association Other
L Year of formation: 1916 **M** State of legal domicile: CA

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities THE ZOOLOGICAL SOCIETY OF SAN DIEGO IS A CONSERVATION, EDUCATION AND RECREATION ORGANIZATION DEDICATED TO THE REPRODUCTION, PROTECTION AND EXHIBITION OF ANIMALS, PLANTS AND THEIR HABITATS		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	12
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	2,987
	6 Total number of volunteers (estimate if necessary)	6	1,250
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	6,474,711
b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	40,510,557	61,416,653
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	133,310,278	140,000,853
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,359,190	10,949,610
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	15,369,165	15,793,752
		193,549,190	228,160,868
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	719,663	1,066,430
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	107,251,409	113,580,127
	16a Professional fundraising fees (Part IX, column (A), line 11e)	123,207	178,257
	b Total fundraising expenses (Part IX, column (D), line 25) <input checked="" type="checkbox"/> 4,609,630		
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	91,569,842	90,877,316
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	199,664,121	205,702,130
19 Revenue less expenses Subtract line 18 from line 12	-6,114,931	22,458,738	
Net Assets or Fund Balances		Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)	371,316,154	378,858,977
	21 Total liabilities (Part X, line 26)	144,136,298	165,084,972
22 Net assets or fund balances Subtract line 21 from line 20	227,179,856	213,774,005	

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	***** Signature of officer	2012-09-25 Date
	PAULA BROCK CFO Type or print name and title	

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's taxpayer identification number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4	ERNST & YOUNG US LLP 4370 LA JOLLA VILLAGE DR SAN DIEGO, CA 92122		EIN <input type="checkbox"/>
				Phone no (858) 535-7200

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1 Briefly describe the organization's mission

THE ZOOLOGICAL SOCIETY OF SAN DIEGO IS A CONSERVATION, EDUCATION AND RECREATION ORGANIZATION DEDICATED TO THE REPRODUCTION, PROTECTION AND EXHIBITION OF ANIMALS, PLANTS AND THEIR HABITATS

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses \$ 161,895,551 including grants of \$ 108,675) (Revenue \$ 140,472,145)

OPERATION OF 2 ANIMAL EXHIBITION FACILITIES, THE SD ZOO AND THE SD ZOO SAFARI PARK THE 100-ACRE ZOO IS HOME TO 4,000 RARE AND ENDANGERED ANIMALS AND CONTAINS A PROMINENT BOTANICAL COLLECTION WITH MORE THAN 700,000 PLANTS THE SAFARI PARK IS AN 1800-ACRE WILDLIFE SANCTUARY, WITH OVER HALF OF THE PARK BEING SET ASIDE AS PROTECTED HABITATS

4b (Code) (Expenses \$ 18,762,360 including grants of \$ 908,634) (Revenue \$ 3,354,540)

CONSERVATION PROGRAMS THROUGH THE ZSSD'S INSTITUTE FOR CONSERVATION RESEARCH WHICH IS THE LARGEST ZOO-BASED MULTIDISCIPLINARY RESEARCH TEAM IN THE WORLD THE INSTITUTE HAS GROWN TO INCLUDE INTERNATIONAL FIELD CONSERVATION PROGRAMS IN MORE THAN 35 COUNTRIES WORLDWIDE

4c (Code) (Expenses \$ 3,800,307 including grants of \$) (Revenue \$ 2,935,289)

EDUCATIONAL PROGRAMS SUCH AS SCHOOL FIELD TRIPS, ASSEMBLY & CLASSROOM PROGRAMS, CLASSROOM KITS, CURRICULUM & ACTIVITIES, TEACHER WORKSHOPS, VIDEOCONFERENCING AND THE CANS FOR CRITTERS PROGRAM, WHICH IS A STUDENT CONSERVATION PROJECT

4d Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses \$ 184,458,218

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>		No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>		No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>		No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i>		No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i>		No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i>		No
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i>		No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i>	Yes	
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i>	Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i>		No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i>		No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i>	Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i>		No
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i>	Yes	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i>		No
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?	Yes	
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>	Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S? <i>If "Yes," complete Schedule F, Part II and IV.</i>	Yes	
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S? <i>If "Yes," complete Schedule F, Part III and IV.</i>	Yes	
17 Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	Yes	
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	Yes	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>		No
20a Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i>		No
b If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements.		
	20b	

Part IV Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b		No
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

Table with columns for question number, question text, and Yes/No response. Rows include questions 1a through 14b regarding Form 1096, W-2G forms, employee reporting, foreign accounts, and charitable trusts.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions. Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a Enter the number of voting members of the governing body at the end of the tax year (12); 1b Enter the number of voting members included in line 1a, above, who are independent (12); 2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? (No); 3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? (No); 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? (No); 5 Did the organization become aware during the year of a significant diversion of the organization's assets? (No); 6 Did the organization have members or stockholders? (Yes); 7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? (Yes); 7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? (Yes); 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: 8a The governing body? (Yes); 8b Each committee with authority to act on behalf of the governing body? (Yes); 9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O (No).

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

Table with 3 columns: Question, Yes, No. Rows include: 10a Did the organization have local chapters, branches, or affiliates? (No); 10b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?; 11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? (Yes); 11b Describe in Schedule O the process, if any, used by the organization to review the Form 990; 12a Did the organization have a written conflict of interest policy? If "No," go to line 13 (Yes); 12b Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? (Yes); 12c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done (Yes); 13 Did the organization have a written whistleblower policy? (Yes); 14 Did the organization have a written document retention and destruction policy? (Yes); 15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? 15a The organization's CEO, Executive Director, or top management official (Yes); 15b Other officers or key employees of the organization (Yes); If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions); 16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? (No); 16b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?

Section C. Disclosure

Table with 2 columns: Question, Answer. Rows include: 17 List the States with which a copy of this Form 990 is required to be filed (AK, AZ, AR, CA, CT, FL, HI, IL, KS, LA, ME, MA, MI, MS, MO, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, SC, TN, UT, WA, WV, WI); 18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c) (3)s only) available for public inspection. Indicate how you made these available. Check all that apply. Own website Another's website Upon request; 19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table; 20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization (PAULA BROCK CFO, 2920 ZOO DRIVE, SAN DIEGO, CA 92101, (619) 231-1515).

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Frederick A Frye MD Board President	12 0	X						0	0	0
(2) Richard Gulley Vice President	10 0	X						0	0	0
(3) Sandra Brue Secretary	10 0	X						0	0	0
(4) William May Treasurer	10 0	X						0	0	0
(5) Javade Chaudhri Trustee	5 0	X						0	0	0
(6) Weldon Donaldson Trustee	5 0	X						0	0	0
(7) Bert Durler Trustee	5 0	X						0	0	0
(8) George L Gildred Trustee	5 0	X						0	0	0
(9) Nan Katona Trustee	5 0	X						0	0	0
(10) Patricia Roscoe Trustee	5 0	X						0	0	0
(11) Judith Wheatley Trustee	5 0	X						0	0	0
(12) David Woodruff PHD DSC Trustee	5 0	X						0	0	0
(13) Douglas Myers Chief Executive Officer	50 0			X				321,948	0	220,992
(14) Matthew Musella Chief Operating Officer	50 0			X				241,548	0	173,612
(15) Paula Brock Chief Financial Officer	50 0			X				217,280	0	101,426
(16) Mark Stuart Chief Development Officer	50 0				X			204,593	0	29,262
(17) Robert McClure DIR - SD ZOO Safari Park	50 0				X			193,339	0	152,459

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and Title	(B) Average hours per week per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(18) John Dunlap Dir - San Diego Zoo	50 0				X			198,106	0	23,529
(19) Tim Mulligan Chief Human Resources Officer	50 0				X			193,208	0	28,095
(20) Robert Wiese Chief Life Sciences Officer	50 0				X			179,129	0	36,806
(21) Robert Erhardt Chief Tech Officer	50 0					X		191,277	0	80,274
(22) Allison Alberts Chief Conservation Officer	50 0					X		180,489	0	87,248
(23) Ted Molter Corp Dir of Marketing	50 0					X		176,384	0	34,122
(24) Donald Janssen Corp Dir of Animal Health	50 0					X		161,719	0	130,222
(25) David Rice Corporate Dir of Architecture	50 0					X		145,001	0	140,904
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								2,604,021	0	1,238,951

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **49**

	Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		No
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	Yes	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation
ROUND 2 COMMUNICATIONS LLC 10866 WILSHIRE BLVD STE 900 LOS ANGELES, CA 90024	ADVERTISING / PR	5,513,495
EPSILON DATA MANAGEMENT L-2751 COLUMBUS, OH 43260	AQUISITION	4,013,531
SHARPSHOOTER SPECTURM VENTURE LLC 11901 WEST 48TH ST STE 200 WHEAT RIDGE, CO 80033	SOUVENIR PHOTOS	2,190,030
JD LAUDNER CONSTRUCTION INC 1394 PIONEER WAY EL CAJON, CA 92020	CONSTRUCTION MGMT	1,272,288
TRANSCONTINENTAL PRINTING 1233 COLLECTIONS CENTER DR CHICAGO, IL 60693	PRINTING	1,218,866

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **24**

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b	20,334,000				
	c	Fundraising events 1c	2,401,624				
	d	Related organizations 1d					
	e	Government grants (contributions) 1e	3,535,297				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	35,145,732				
	g	Noncash contributions included in lines 1a-1f \$ ^{310,607}					
	h	Total. Add lines 1a-1f ▶	61,416,653				
Program Service Revenue			Business Code				
	2a	OPER OF 2 ANIMAL EXHIBIT FACILITIES	900099	123,027,613	123,027,613		
	b	CITY TAX REVENUE	900099	10,498,997	10,498,997		
	c	EDUCATIONAL PROGRAMS AND ACTIVITIES	611710	3,354,540	3,354,540		
	d	GRANT REVENUE FOR SERVICES	900099	3,119,703	3,119,703		
	e						
	f	All other program service revenue					
g	Total. Add lines 2a-2f ▶		140,000,853				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) ▶		2,190,000		2,190,000	
	4	Income from investment of tax-exempt bond proceeds . . ▶		0			
	5	Royalties ▶		366,688		366,688	
	6a	Gross rents	(i) Real	46,126			
			(ii) Personal				
	b	Less rental expenses					
	c	Rental income or (loss)	46,126				
	d	Net rental income or (loss) ▶		46,126		46,126	
	7a	Gross amount from sales of assets other than inventory	(i) Securities	83,789,000			
			(ii) Other				
	b	Less cost or other basis and sales expenses	75,029,390				
c	Gain or (loss)	8,759,610					
d	Net gain or (loss) ▶		8,759,610		8,759,610		
8a	Gross income from fundraising events (not including \$ ^{2,401,624} of contributions reported on line 1c) See Part IV, line 18						
a		702,405					
b	Less direct expenses b	800,761					
c	Net income or (loss) from fundraising events . . ▶		-98,356		-98,356		
9a	Gross income from gaming activities See Part IV, line 19						
a							
b	Less direct expenses b						
c	Net income or (loss) from gaming activities . . ▶		0				
10a	Gross sales of inventory, less returns and allowances	a	25,005,029				
		b	Less cost of goods sold b	10,323,742			
		c	Net income or (loss) from sales of inventory . . ▶		14,681,287	8,247,443	6,433,844
Miscellaneous Revenue		Business Code					
11a	INSURANCE SETTLEMENT	900099	222,403	222,403			
b	PLANTS FOR ANIMAL CONSUMPTION (BROWSE)	900099	158,635	158,635			
c	RECYCLING	900099	45,159	45,159			
d	All other revenue		371,810	330,943	40,867		
e	Total. Add lines 11a-11d ▶		798,007				
12	Total revenue. See Instructions ▶		228,160,868	149,005,436	6,474,711	11,264,068	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	310,500	310,500		
2	Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	755,930	755,930		
4	Benefits paid to or for members	0			
5	Compensation of current officers, directors, trustees, and key employees	2,505,332	773,368	1,498,109	233,855
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	11,724	11,724		
7	Other salaries and wages	69,755,212	63,492,206	4,220,949	2,042,057
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	6,494,062	5,688,425	576,764	228,873
9	Other employee benefits	28,207,665	25,631,067	1,883,899	692,699
10	Payroll taxes	6,606,132	5,960,662	457,075	188,395
11	Fees for services (non-employees)				
a	Management	0			
b	Legal	908,748		908,748	
c	Accounting	481,000		481,000	
d	Lobbying	0			
e	Professional fundraising See Part IV, line 17	178,257			178,257
f	Investment management fees	766,275		766,275	
g	Other	13,309,671	11,701,262	1,506,933	101,476
12	Advertising and promotion	9,789,444	9,462,957	30,867	295,620
13	Office expenses	2,437,558	2,056,391	222,635	158,532
14	Information technology	3,407,157	1,612,395	1,521,073	273,689
15	Royalties	0			
16	Occupancy	7,642,819	6,929,589	697,660	15,570
17	Travel	1,154,480	1,020,999	111,296	22,185
18	Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19	Conferences, conventions, and meetings	1,517,687	1,225,320	231,323	61,044
20	Interest	1,933,346	1,933,346		
21	Payments to affiliates	0			
22	Depreciation, depletion, and amortization	21,739,275	21,062,832	676,443	
23	Insurance	2,063,161	1,867,227	182,387	13,547
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	OPERATING SUPPLIES	10,586,428	10,002,010	558,481	25,937
b	COST OF GOODS SOLD	6,893,954	6,893,954		
c	OTHER EXPENSES	3,518,256	3,337,997	102,365	77,894
d	FORAGE	2,728,057	2,728,057		
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	205,702,130	184,458,218	16,634,282	4,609,630
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash—non-interest-bearing	738,487	1	433,300
	2 Savings and temporary cash investments	35,579,572	2	39,997,689
	3 Pledges and grants receivable, net	39,323,615	3	51,452,537
	4 Accounts receivable, net	4,344,376	4	8,060,812
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0	5	0
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L	0	6	0
	7 Notes and loans receivable, net	0	7	0
	8 Inventories for sale or use	2,756,072	8	2,315,843
	9 Prepaid expenses and deferred charges	1,090,068	9	1,301,652
	10a Land, buildings, and equipment cost or other basis. Complete Part VI of Schedule D	423,036,353		
	b Less accumulated depreciation	232,969,018	197,184,939	10c 190,067,335
	11 Investments—publicly traded securities	87,272,195	11	82,166,073
	12 Investments—other securities. See Part IV, line 11	0	12	0
	13 Investments—program-related. See Part IV, line 11	0	13	0
	14 Intangible assets	0	14	0
	15 Other assets. See Part IV, line 11	3,026,830	15	3,063,736
16 Total assets. Add lines 1 through 15 (must equal line 34)	371,316,154	16	378,858,977	
Liabilities	17 Accounts payable and accrued expenses	28,722,222	17	34,187,284
	18 Grants payable	0	18	0
	19 Deferred revenue	14,747,636	19	14,944,682
	20 Tax-exempt bond liabilities	42,000,000	20	41,005,000
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	0	21	0
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0	22	0
	23 Secured mortgages and notes payable to unrelated third parties	0	23	0
	24 Unsecured notes and loans payable to unrelated third parties	0	24	0
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	58,666,440	25	74,948,006
	26 Total liabilities. Add lines 17 through 25	144,136,298	26	165,084,972
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	147,683,258	27	116,762,866
	28 Temporarily restricted net assets	49,890,952	28	66,195,181
	29 Permanently restricted net assets	29,605,646	29	30,815,958
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
33 Total net assets or fund balances	227,179,856	33	213,774,005	
34 Total liabilities and net assets/fund balances	371,316,154	34	378,858,977	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	228,160,868
2	Total expenses (must equal Part IX, column (A), line 25)	2	205,702,130
3	Revenue less expenses Subtract line 2 from line 1	3	22,458,738
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	227,179,856
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-35,864,589
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	213,774,005

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
2b	Were the organization's financial statements audited by an independent accountant?	Yes	
2c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
2d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

SCHEDULE A (Form 990 or 990EZ)

Public Charity Status and Public Support

OMB No 1545-0047

2011

Open to Public Inspection

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

Attach to Form 990 or Form 990-EZ. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number 95-1648219

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

- 1 A church, convention of churches, or association of churches section 170(b)(1)(A)(i).
2 A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3 A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4 A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state
5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II)
6 A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi) (Complete Part II)
8 A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III)
10 An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h
a Type I b Type II c Type III - Functionally integrated d Type III - Other
e By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box
g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?
(ii) a family member of a person described in (i) above?
(iii) a 35% controlled entity of a person described in (i) or (ii) above?
h Provide the following information about the supported organization(s)

Table with 2 columns: Yes, No. Rows: 11g(i), 11g(ii), 11g(iii)

Table with 7 main columns: (i) Name of supported organization, (ii) EIN, (iii) Type of organization, (iv) Is the organization in col (i) listed in your governing document?, (v) Did you notify the organization in col (i) of your support?, (vi) Is the organization in col (i) organized in the U S ?, (vii) Amount of support? Sub-columns for Yes/No are present for (iv) and (v).

Part II Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						

12 Gross receipts from related activities, etc (See instructions) **12**

13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here**

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14	
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15	

16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization

17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization

18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions

Part III Support Schedule for Organizations Described in IRC 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")	37,761,491	32,953,010	40,055,636	40,510,557	61,416,653	212,697,347
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose	141,091,882	146,337,641	129,206,825	137,929,973	148,609,816	703,176,137
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf	8,700,000	9,719,525	9,635,752	9,799,908	10,498,997	48,354,182
5 The value of services or facilities furnished by a governmental unit to the organization without charge	0	0	0	0	0	0
6 Total. Add lines 1 through 5	187,553,373	189,010,176	178,898,213	188,240,438	220,525,466	964,227,666
7a Amounts included on lines 1, 2, and 3 received from disqualified persons	2,355,000	740,535	370,810	615,898	12,830,378	16,912,621
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year	0	0	3,361,007	0	2,740,000	6,101,007
c Add lines 7a and 7b	2,355,000	740,535	3,731,817	615,898	15,570,378	23,013,628
8 Public Support (Subtract line 7c from line 6)						941,214,038

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6	187,553,373	189,010,176	178,898,213	188,240,438	220,525,466	964,227,666
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources	4,155,989	857,713	2,057,477	2,204,678	2,602,814	11,878,671
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b	4,155,989	857,713	2,057,477	2,204,678	2,602,814	11,878,671
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on	0	0	0	0	0	0
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)	3,447,895	0	0	0	0	3,447,895
13 Total support (Add lines 9, 10c, 11 and 12)	195,157,257	189,867,889	180,955,690	190,445,116	223,128,280	979,554,232

14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** **Section C. Computation of Public Support Percentage**

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	96.086%
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	97.586%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	1.213%
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	1.449%

19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization **b 33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization **20 Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

Additional Data

Software ID:

Software Version:

EIN: 95-1648219

Name: ZOOLOGICAL SOCIETY OF SAN DIEGO

Form 990, Special Condition Description:

Special Condition Description

SCHEDULE D (Form 990)

OMB No 1545-0047

Supplemental Financial Statements

2011

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions.

Name of the organization ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number 95-1648219

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), Aggregate value at end of year.

- 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

- 1 Purpose(s) of conservation easements held by the organization (check all that apply): Preservation of land for public use, Protection of natural habitat, Preservation of open space, Preservation of an historically important land area, Preservation of a certified historic structure.

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

Table with 2 columns: Description, Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06.

- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year
4 Number of states where property subject to conservation easement is located
5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?
6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year
7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year
8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?
9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

- 1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items
b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: (i) Revenues included in Form 990, Part VIII, line 1; (ii) Assets included in Form 990, Part X
2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items: a Revenues included in Form 990, Part VIII, line 1; b Assets included in Form 990, Part X

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

- a** Public exhibition
- b** Scholarly research
- c** Preservation for future generations
- d** Loan or exchange programs
- e** Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c Beginning balance	
1d Additions during the year	
1e Distributions during the year	
1f Ending balance	

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior Year	(c) Two Years Back	(d) Three Years Back	(e) Four Years Back
1a Beginning of year balance	89,247,000	40,240,907	30,053,851	41,396,892	
b Contributions	1,210,000	454,964	3,556,570	20,058	
c Investment earnings or losses	-2,108,000	4,843,920	9,205,555	-13,904,280	
d Grants or scholarships					
e Other expenditures for facilities and programs	1,922,000	1,394,418	2,575,069	2,337,220	
f Administrative expenses					
g End of year balance	86,427,000	44,145,373	40,240,907	25,175,450	

2 Provide the estimated percentage of the year end balance held as

- a** Board designated or quasi-endowment ▶ 63 000 %
- b** Permanent endowment ▶ 37 000 %
- c** Term endowment ▶

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

	Yes	No
(i) unrelated organizations	3a(i) Yes	
(ii) related organizations	3a(ii)	No
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		78,681,094	34,415,399	44,265,695
c Leasehold improvements		307,662,656	170,751,485	136,911,171
d Equipment		23,222,829	16,690,667	6,532,162
e Other		13,469,774	11,111,467	2,358,307
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).)				190,067,335

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. (Column (b) should equal Form 990, Part X, col (B) line 12)		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. (Column (b) should equal Form 990, Part X, col (B) line 13)		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. (Column (b) should equal Form 990, Part X, col.(B) line 15.)	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	0
LIABILITY FOR PENSION BENEFITS	62,802,814
LINE OF CREDIT B OF A	9,100,000
CHARITABLE GIFT ANNUITIES & 457B	3,007,611
CAPITAL LEASES	37,581
Total. (Column (b) should equal Form 990, Part X, col (B) line 25)	74,948,006

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	228,160,868
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	205,702,130
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	22,458,738
4	Net unrealized gains (losses) on investments	4	-12,081,819
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-23,781,919
9	Total adjustments (net) Add lines 4 - 8	9	-35,863,738
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	-13,405,000

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	225,640,000
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	-12,081,819
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	-766,275
e	Add lines 2a through 2d	2e	-12,848,094
3	Subtract line 2e from line 1	3	238,488,094
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	-10,327,226
c	Add lines 4a and 4b	4c	-10,327,226
5	Total Revenue Add lines 3 and 4c . (This should equal Form 990, Part I, line 12)	5	228,160,868

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	215,258,000
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	215,258,000
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	766,275
b	Other (Describe in Part XIV)	4b	-10,322,145
c	Add lines 4a and 4b	4c	-9,555,870
5	Total expenses Add lines 3 and 4c . (This should equal Form 990, Part I, line 18)	5	205,702,130

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation
The intended uses of the organization's endowment funds	Schedule D Part V line 4	Endowment withdrawals are used for Education, Conservation and Zoological programs specifically identified as the purpose of the endowment THE BEGINNING BALANCE FOR THE CURRENT YEAR IS GREATER THAN THE ENDING BALANCE FROM THE PRIOR YEAR DUE TO THE INCLUSION OF RESERVES DESIGNATED BY THE BOARD OF TRUSTEES THAT WERE NOT PREVIOUSLY CLASSIFIED AS ENDOWMENTS BY THE BOARD OF TRUSTEES THAT WERE NOT PREVIOUSLY CLASSIFIED AS ENDOWMENTS SCHEDULE D, PART XI, LINE 8 UNREALIZED GAINS/ (LOSSES) ON SWAP TRANSACTION (3,822,364) PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION (19,965,000) ROUNDING 5,445 (23,781,919)
SCHEDULE D, PART XII, LINE 2D		INVESTMENT MANAGEMENT FEES (766,275)
SCHEDULE D, PART XII, LINE 4B		COST OF GOODS SOLD RECLASS (10,323,742) ROUNDING (3,484) (10,327,226)
SCHEDULE D PART XIII, LINE 4B		COST OF GOODS SOLD RECLASS (10,323,742) ROUNDING 1,597 (10,322,145)

**SCHEDULE F
(Form 990)**

Statement of Activities Outside the United States

OMB No 1545-0047

2011

**Open to Public
Inspection**

▶ Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization
ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number
95-1648219

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 For grantmakers. Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? **Yes** **No**

2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of grant funds outside the United States

3 Activities per Region (Use Part V if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region or independent contractors	(d) Activities conducted in region (by type) (e.g., fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for region/investments in region
East Asia and the Pacific		2	Program Services	CONSERVATION RESEARCH	244,309
Central America and the Caribbean	1	1	Program Services	CONSERVATION RESEARCH	244,281
South America	1	1	Program Services	CONSERVATION RESEARCH	141,825
Middle East and North Africa			Program Services	CONSERVATION RESEARCH	106,622
Sub-Saharan Africa	1	2	Program Services	CONSERVATION RESEARCH	85,048
North America			Program Services	CONSERVATION RESEARCH	84,656
South Asia	1	1	Program Services	CONSERVATION RESEARCH	81,479
Europe (Including Iceland and Greenland)			Investments		24,081,487
East Asia and the Pacific			Investments		13,887,651
East Asia and the Pacific			Grantmaking		661,334
Sub-Saharan Africa			Grantmaking		40,000
North America			Grantmaking		5,475
3a Sub-total	4	7			39,664,167
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)	4	7			39,664,167

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Check this box if no one recipient received more than \$5,000
 Use Part V if additional space is needed.

1 (a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
		East Asia/Pacific	GIANT PANDA CONSERVATION	600,000	WIRE			
		East Asia/Pacific	KIWI POSTDOC PROJECT	56,309	WIRE			
		Sub-Saharan Africa	SWAZILAND PARK SUPPORT	30,000	WIRE			
		Sub-Saharan Africa	CONSERVATION SUPPORT	10,000	WIRE			
		North America	CONSERVATION DONATION	5,475	WIRE			
		East Asia/Pacific	KOALA RESEARCH	5,025	WIRE			

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter **6**

3 Enter total number of other organizations or entities **3**

Part III Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16. Use Part V if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
TUITION - ADVANCED DEGREE	Europe/Iceland/Greenland	1	17,121	WIRE			
TUITION - ADVANCED DEGREE	Sub-Saharan Africa	1	32,000	WIRE			

Part IV Foreign Forms

- 1 Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926 (see instructions for Form 926)* Yes No
- 2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520 and/or Form 3520-A. (see instructions for Forms 3520 and 3520-A)* Yes No
- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with respect to Certain Foreign Corporations. (see instructions for Form 5471)* Yes No
- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see instructions for Form 8621)* Yes No
- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with respect to Certain Foreign Partnerships. (see instructions for Form 8865)* Yes No
- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see instructions for Form 5713).* Yes No

SCHEDULE G (Form 990 or 990-EZ)

Supplemental Information Regarding Fundraising or Gaming Activities

OMB No 1545-0047

2011

Open to Public Inspection

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a. Attach to Form 990 or Form 990-EZ. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number 95-1648219

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- a Mail solicitations
b Internet and e-mail solicitations
c Phone solicitations
d In-person solicitations
e Solicitation of non-government grants
f Solicitation of government grants
g Special fundraising events

2a Did the organization have a written or oral agreement with any individual... Yes No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements...

Table with 6 columns: (i) Name and address of individual or entity (fundraiser), (ii) Activity, (iii) Did fundraiser have custody or control of contributions?, (iv) Gross receipts from activity, (v) Amount paid to (or retained by) fundraiser listed in col (i), (vi) Amount paid to (or retained by) organization. Rows include DONOR SERVICES GROUP and CONVIO.

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing

AK, AZ, AR, CA, CT, FL, HI, IL, KS, LA, ME, MA, MI, MS, MT, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, SC, TN, UT, WA, WV, WI

Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		<u>RITZ</u> (event type)	<u>CELEBRATION</u> (event type)	<u>2</u> (total number)	(Add col (a) through col (c))
Revenue	1 Gross receipts	2,165,815	598,082	340,132	3,104,029
	2 Less Charitable contributions	1,945,052	379,215	77,357	2,401,624
	3 Gross income (line 1 minus line 2)	220,763	218,867	262,775	702,405
Direct Expenses	4 Cash prizes				
	5 Non-cash prizes	88,333	63,056		151,389
	6 Rent/facility costs				
	7 Food and beverages	151,291			151,291
	8 Entertainment				
	9 Other direct expenses	218,341	120,290	159,450	498,081
	10 Direct expense summary Add lines 4 through 9 in column (d) ▶				(800,761)
11 Net income summary Combine lines 3 and 10 in column (d) ▶				-98,356	

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming
					(Add col (a) through col (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Non-cash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
7 Direct expense summary Add lines 2 through 5 in column (d) ▶				()	
8 Net gaming income summary Combine lines 1 and 7 in column (d) ▶					

9 Enter the state(s) in which the organization operates gaming activities _____

a Is the organization licensed to operate gaming activities in each of these states? Yes No

b If "No," Explain _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? Yes No

b If "Yes," Explain _____

11 Does the organization operate gaming activities with nonmembers? Yes No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? Yes No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a	
b An outside facility	13b	

14 Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶

Address ▶

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? Yes No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____

c If "Yes," enter name and address

Name ▶

Address ▶

16 Gaming manager information

Name ▶

Gaming manager compensation ▶ \$

Description of services provided ▶

Director/officer

Employee

Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? Yes No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

Part IV Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation
DISTINGUISHING PMTS TO FUNDRAISERS	FORM 990 SCHEDULE G PART I COLUMN V	ALL PROFESSIONAL FUNDRAISING SERVICES BILL FOR SERVICES ONLY BASED ON AN AGREED UPON RATE AND DO NOT GET REIMBURSED FOR EXPENSES

Schedule I (Form 990)

OMB No 1545-0047

Grants and Other Assistance to Organizations, Governments and Individuals in the United States

2011

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22. Attach to Form 990

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Name of the organization ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number 95-1648219

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?
2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part III Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed.

Table with 8 columns: (a) Name and address of organization or government, (b) EIN, (c) IRC Code section if applicable, (d) Amount of cash grant, (e) Amount of non-cash assistance, (f) Method of valuation (book, FMV, appraisal, other), (g) Description of non-cash assistance, (h) Purpose of grant or assistance. Row 1: See Additional Data Table.

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table
3 Enter total number of other organizations listed in the line 1 table

Part III Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

Part IV Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS	FORM 990, SCHEDULE I, PART I, LINE 2	GRANT FUNDS ARE MONITORED THROUGH ACTIVITY REPORTS AND FINANCIAL REPORTS. SITE VISITS AND INSPECTIONS ARE MADE FOR CERTAIN ACTIVITIES WHEN APPROPRIATE.

Software ID:
Software Version:
EIN: 95-1648219
Name: ZOOLOGICAL SOCIETY OF SAN DIEGO

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
AZA8403 COLESVILLE RD SILVER SPRINGS, MD 20910	55-0526930	501(C)(3)	100,000				STAND UP FOR ZOOS CAMPAIGN
ST LOUIS ZOO FRIENDS ASSOONE GOVERNMENT DRIVE ST LOUIS, MO 63110	43-0788060	501(C)(3)	25,000				SUPPORT FOR GREVY'S ZEBRA
SAHARA CONSERVATION FUND 60-450 HOPPATCHSPRING RD MTN CTR, CA 92561	26-0171939	501(C)(3)	25,000				2011 SUPPORT
AZA8403 COLESVILLE RD SILVER SPRINGS, MD 20910	55-0526930	501(C)(3)	15,000				ANNUAL CONFERENCE SUPPORT
INTERNATIONAL ELEPHANT FOUNDATIONPO BOX 366 AZLE, TX 76098	75-2815706	501(C)(3)	15,000				ANNUAL SUPPORT
INTERNATIONAL RHINO FOUNDATION 581705 WHITE OAK RD YULEE, FL 32097	75-2395006	501(C)(3)	15,000				ANNUAL SUPPORT
PT LOMA NAZARENE UNIVERSTIY3900 LOMALAND DRIVE SAN DIEGO, CA 92106	95-1644035	501(C)(3)	12,500				BIO DEPARTMENT INTERNSHIPS
SMITHSONIAN INSTITUTIONNATL ZOO PARK FRONT ROYAL, VA 22630	53-0206027	501(C)(3)	12,500				ANNUAL SUPPORT
CBSG12101 JOHNNYCAKERIDGE RD APPLE VALLEY, MN 55124	41-1719362	501(C)(3)	12,500				ANNUAL SUPPORT
INTERNATIONAL IGUANA FOUNDATION 1989 COLONIAL PARKWAY FT WORTH, TX 76110	75-2954637	501(C)(3)	10,000				ANNUAL SUPPORT
AAZKPO BOX 632984 SAN DIEGO, CA 92103	93-1038602	501(C)(3)	10,000				ANNUAL SUPPORT
AZA8403 COLESVILLE RD SILVER SPRINGS, MD 20910	55-0526930	501(C)(3)	10,000				APE TAG INITIATIVE
RED PANDA NETWORK PO BOX 868 NEWARK, CA 94560	26-1103671	501(C)(3)	10,000				ANNUAL SUPPORT
PT LOMA NAZARENE UNIVERSITY3900 LOMALAND DR SAN DIEGO, CA 92106	95-1644035	501(C)(3)	10,000				JAGUAR PROJECT
PANDRILLUS FOUNDATIONPO BOX 10082 PORTLAND, OR 97296	93-1289932	501(C)(3)	10,000				ANNUAL SUPPORT
THE LIVING DESERT 47900 PORTOLA AVE PALM DESERT, CA 92260	95-3385354	501(C)(3)	10,000				ANNUAL SUPPORT
DOUC LANGER FOUNDATIONPO BOX 23912 SAN DIEGO, CA 92193	26-1582234	501(C)(3)	8,000				DIET ASSESSMENT PROJECT

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 23.**

▶ **Attach to Form 990. ▶ See separate instructions.**

Department of the Treasury
Internal Revenue Service

Name of the organization
ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number

95-1648219

Part I Questions Regarding Compensation

- 1a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.
- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input checked="" type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef) |

b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.

- | | |
|--|---|
| <input checked="" type="checkbox"/> Compensation committee | <input checked="" type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:

a Receive a severance payment or change-of-control payment?

b Participate in, or receive payment from, a supplemental nonqualified retirement plan?

c Participate in, or receive payment from, an equity-based compensation arrangement?

If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.

5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

a The organization?

b Any related organization?

If "Yes," to line 5a or 5b, describe in Part III

6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

a The organization?

b Any related organization?

If "Yes," to line 6a or 6b, describe in Part III

7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b	Yes	
2	Yes	
4a		No
4b		No
4c		No
5a		No
5b		No
6a		No
6b		No
7	Yes	
8		No
9		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Douglas Myers	(i)	271,157	666	50,125	214,226	6,766	542,940	0
	(ii)	0	0	0	0	0	0	0
(2) Matthew Musella	(i)	207,332	496	33,720	168,728	4,884	415,160	0
	(ii)	0	0	0	0	0	0	0
(3) Paula Brock	(i)	198,518	447	18,315	97,026	4,400	318,706	0
	(ii)	0	0	0	0	0	0	0
(4) Mark Stuart	(i)	183,740	415	20,438	28,776	486	233,855	0
	(ii)	0	0	0	0	0	0	0
(5) Robert McClure	(i)	160,814	371	32,154	144,814	7,645	345,798	0
	(ii)	0	0	0	0	0	0	0
(6) John Dunlap	(i)	184,597	428	13,081	20,115	3,414	221,635	0
	(ii)	0	0	0	0	0	0	0
(7) Tim Mulligan	(i)	178,447	406	14,355	27,054	1,041	221,303	0
	(ii)	0	0	0	0	0	0	0
(8) Robert Wiese	(i)	148,683	355	30,091	30,489	6,317	215,935	0
	(ii)	0	0	0	0	0	0	0
(9) Robert Erhardt	(i)	185,701	375	5,201	73,800	6,474	271,551	0
	(ii)	0	0	0	0	0	0	0
(10) Allison Alberts	(i)	155,854	375	24,260	81,602	5,646	267,737	0
	(ii)	0	0	0	0	0	0	0
(11) Ted Molter	(i)	149,347	358	26,679	31,107	3,015	210,506	0
	(ii)	0	0	0	0	0	0	0
(12) Donald Janssen	(i)	141,804	318	19,597	125,126	5,096	291,941	0
	(ii)	0	0	0	0	0	0	0
(13) David Rice	(i)	128,876	162	15,963	135,715	5,189	285,905	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
COMPANION TRAVEL	FORM 990, SCHEDULE J, PART 1, QUESTION 1A	THE CHIEF EXECUTIVE OFFICER'S EMPLOYMENT AGREEMENT ALLOWS FOR COMPANION TRAVEL, WHICH IS REPORTED AS TAXABLE INCOME ON HIS W-2 AT THE END OF THE YEAR.
SCHEDULE J, PART 1, LINE 7		THE SOCIETY MAINTAINS A BONUS PLAN FOR MANAGEMENT. THE BONUS IS CALCULATED AS A PERCENTAGE OF EACH MANAGER'S ANNUAL SALARY. THE PERCENTAGE IS BASED ON THE SOCIETY'S ACHIEVEMENT OF SPECIFIED GOALS. EACH PARTICIPATING EMPLOYEE'S BONUS PERCENTAGE IS ADJUSTED FURTHER, BASED ON ANNUAL PERFORMANCE REVIEW SCORES.

**Schedule K
(Form 990)**

OMB No 1545-0047

Supplemental Information on Tax Exempt Bonds

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990).**

▶ **Attach to Form 990. ▶ See separate instructions.**

2011

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

Name of the organization
ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number

95-1648219

Part I Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A ABAG FINANCE AUTHORITY FOR NON-PROFIT CORPORATIONS	94-3130123	00037CGJ3	06-04-2004	45,000,000	CONSTRUCTION/IMPROVE FACILITIES		X		X		X

Part II Proceeds

	A	B	C	D
1 Amount of bonds retired	0			
2 Amount of bonds defeased	0			
3 Total proceeds of issue	47,672,414			
4 Gross proceeds in reserve funds	0			
5 Capitalized interest from proceeds	0			
6 Proceeds in refunding escrow	0			
7 Issuance costs from proceeds	711,980			
8 Credit enhancement from proceeds	0			
9 Working capital expenditures from proceeds	0			
10 Capital expenditures from proceeds	46,960,434			
11 Other spent proceeds	0			
12 Other unspent proceeds	0			
13 Year of substantial completion	2007			
	Yes	No	Yes	No
14 Were the bonds issued as part of a current refunding issue?		X		
15 Were the bonds issued as part of an advance refunding issue?		X		
16 Has the final allocation of proceeds been made?	X			
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?	X			

Part III Private Business Use

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X						

Part III Private Business Use (Continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts that may result in private business use?		X						
b If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?		X						
d If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %							
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %							
6 Total of lines 4 and 5	0 %							
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X							

Part IV Arbitrage

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X						
2 Is the bond issue a variable rate issue?	X							
3a Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?	X							
b Name of provider	BANK OF AMERICA							
c Term of hedge	30							
d Was the hedge superintegrated?		X						
e Was a hedge terminated?		X						
4a Were gross proceeds invested in a GIC?		X						
b Name of provider	0							
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5 Were any gross proceeds invested beyond an available temporary period?		X						
6 Did the bond issue qualify for an exception to rebate?		X						

Part V Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations Yes No

Part VI Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation
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Schedule L (Form 990 or 990-EZ)

Transactions with Interested Persons

OMB No 1545-0047

2011

Open to Public Inspection

Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b. Attach to Form 990 or Form 990-EZ. See separate instructions.

Department of the Treasury Internal Revenue Service

Name of the organization ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number 95-1648219

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only). Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

Table with 4 columns: (a) Name of disqualified person, (b) Description of transaction, (c) Corrected? (Yes/No)

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 \$
3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization \$

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

Table with 7 main columns: (a) Name of interested person and purpose, (b) Loan to or from the organization?, (c) Original principal amount, (d) Balance due, (e) In default?, (f) Approved by board or committee?, (g) Written agreement?

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

Table with 3 columns: (a) Name of interested person, (b) Relationship between interested person and the organization, (c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) NEIL PISK	BROTHER OF KEY EMPLOYEE	11,724	REPORTABLE COMPENSATION		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE M (Form 990)

NonCash Contributions

OMB No 1545-0047

2011

Open to Public Inspection

Complete if the organization answered "Yes" on Form 990, Part IV, lines 29 or 30. Attach to Form 990.

Department of the Treasury Internal Revenue Service

Name of the organization ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number 95-1648219

Part I Types of Property

Table with 4 columns: (a) Check if applicable, (b) Number of Contributions or items contributed, (c) Contribution amounts reported on Form 990, Part VIII, line 1g, (d) Method of determining contribution amounts. Rows include Art, Books, Cars, Securities, etc.

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement 29 0

Table with 3 columns: Question (30a, 31, 32a, 33), Yes, No. Contains questions about property holding periods and contribution policies.

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
THIRD PARTIES HIRED TO PROCESS NONCASH CONTRIBUTIONS	SCHEDULE M LINE 32A	THE ZOOLOGICAL SOCIETY HAS AN AGREEMENT WITH A THIRD PARTY VEHICLE DONATION PROCESSER. THE ZOOLOGICAL SOCIETY USES A BROKER TO SELL PUBLICLY TRADED SECURITIES DONATED TO THE ORGANIZATION

SCHEDULE O
(Form 990 or 990-EZ)

Supplemental Information to Form 990 or 990-EZ

2011

Open to Public Inspection

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ **Attach to Form 990 or 990-EZ.**

Department of the Treasury
Internal Revenue Service

Name of the organization
ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number
95-1648219

Identifier	Return Reference	Explanation
DESCRIPTION OF CLASSES OF MEMBERS OR STOCKHOLDERS	FORM 990, PART VI, QUESTION 6	THE ZOOLOGICAL SOCIETY OF SAN DIEGO HAS OVER 243,000 MEMBER HOUSEHOLDS REPRESENTING APPROXIMATELY 550,000 CARD CARRYING PASSHOLDERS, OF WHICH 115,000 ARE CHILDREN AGES 3-17
DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS	FORM 990, PART VI, QUESTION 7A	MEMBERS MAY NOMINATE TRUSTEES TO SUCCEED TRUSTEES WHOSE TERMS OF OFFICE ARE EXPIRING, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF ARTICLE VI, SECTION 3(b) OF THE BYLAWS
DESCR CLASSES OF PERSONS, DECISIONS REQUIRING APPR & TYPE OF VOTING RIGHTS	FORM 990, PART VI, QUESTION 7B	ANY ADOPTION, AMENDMENT OR REPEAL OF THE BYLAWS BY THE BOARD OF TRUSTEES WHICH WOULD MATERIALLY AND ADVERSELY AFFECT THE RIGHTS OF MEMBERS AS TO VOTING OR TRANSFER SHALL REQUIRE APPROVAL OF THE MEMBERS PURSUANT TO ARTICLE XVI OF THE BYLAWS
DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990	FORM 990, PART VI, QUESTION 11B	A DRAFT OF THE 990 AND ALL REQUIRED SCHEDULES IS DISTRIBUTED ELECTRONICALLY TO OUR GENERAL COUNSEL, DIRECTOR OF HUMAN RESOURCES, DIRECTOR OF DEVELOPMENT & MEMBERSHIP AND THE OFFICERS OF THE ORGANIZATION FOLLOWING THEIR REVIEW, THE 990 AND SUPPORTING SCHEDULES WERE REVIEWED BY AN OUTSIDE TAX PREPARER AND THEN DISTRIBUTED EITHER ELECTRONICALLY OR IN PAPER FORM TO THE AUDIT COMMITTEE AND TO THE BOARD OF TRUSTEES FOR REVIEW PRIOR TO BEING FILED WITH THE IRS
DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST	FORM 990, PART VI, QUESTION 12C	OFFICERS, DIRECTORS OR TRUSTEES AND KEY EMPLOYEES ARE REQUIRED TO COMPLETE AND SIGN A CONFLICT OF INTEREST DISCLOSURE FORM ANNUALLY THE HUMAN RESOURCES DIRECTOR AND GENERAL COUNSEL FOLLOW UP ON ANY ISSUES REVEALED ON THE DISCLOSURE FORM IN ADDITION, THEY FOLLOW UP ON ISSUES THAT MAY ARISE THROUGHOUT THE YEAR IF A CONFLICT EXISTS, APPROPRIATE ACTION IS TAKEN, SUCH AS PROHIBITING PARTICIPATING IN THE GOVERNING BODY'S DELIBERATIONS AND DECISIONS IN THE TRANSACTION
OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN	FORM 990, PART VI, QUESTIONS 15A & 15B	THE BOARD OF TRUSTEES HAS A CHARTERED COMPENSATION COMMITTEE, FORMED IN 2005 EACH YEAR, THE COMPENSATION COMMITTEE REVIEWS AND CONFIRMS THE EXECUTIVE TEAM'S SALARIES IN 2008, AN OUTSIDE COMPENSATION FIRM PERFORMED A COMPREHENSIVE SALARY SURVEY OF THE ENTIRE EXECUTIVE TEAM THE EXECUTIVE TEAM INCREASES ARE BASED ON THE SOCIETY'S STANDARDIZED MERIT BASED INCREASE PROGRAM THE EXECUTIVE TEAM INCLUDES CHIEF EXECUTIVE OFFICER, CHIEF OPERATING OFFICER, CHIEF FINANCIAL OFFICER, CHIEF DEVELOPMENT OFFICER, CHIEF HUMAN RESOURCES OFFICER, DIRECTOR-SAN DIEGO ZOO SAFARI PARK, DIRECTOR-SAN DIEGO ZOO, CHIEF LIFE SCIENCES OFFICER, DIRECTOR-VETERINARY SERVICES, CHIEF TECHNOLOGY OFFICER, CHIEF CONSERVATION OFFICER, CORPORATE DIRECTOR OF MARKETING & CORPORATE DIRECTOR OF ANIMAL HEALTH
AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC	FORM 990, PART VI, QUESTION 19	BYLAWS, ARTICLES OF INCORPORATION, THE CONFLICT OF INTEREST POLICY AND AUDITED FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST THE AUDITED FINANCIAL STATEMENT IS ALSO AVAILABLE ON THE ZOOLOGICAL SOCIETY'S WEBSITE
CHANGE IN NET ASSETS	FORM 990, PART XI, LINE 5	PENSION RELATED CHANGES OTHER THAN NET PERIODIC (19,965,000) NET UNREALIZED LOSS ON INVESTMENTS (12,082,000) UNREALIZED LOSS ON SWAP TRANSACTION (3,822,364) ROUNDING (4,594) _____ (35,864,589)

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2011

Open to Public Inspection

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**

Department of the Treasury
Internal Revenue Service

Name of the organization
ZOOLOGICAL SOCIETY OF SAN DIEGO

Employer identification number

95-1648219

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) FNDTN OF ZOOLOGICAL SOCIETY OF SAN DIEGO PO BOX 120551 SAN DIEGO, CA 92122 20-8456251	SUPPORTING	CA	501(C)(3)	11A	ZSSD	Yes	

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

	Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity	1a	No
b Gift, grant, or capital contribution to related organization(s)	1b	No
c Gift, grant, or capital contribution from related organization(s)	1c	No
d Loans or loan guarantees to or for related organization(s)	1d	No
e Loans or loan guarantees by related organization(s)	1e	No
f Sale of assets to related organization(s)	1f	No
g Purchase of assets from related organization(s)	1g	No
h Exchange of assets with related organization(s)	1h	No
i Lease of facilities, equipment, or other assets to related organization(s)	1i	No
j Lease of facilities, equipment, or other assets from related organization(s)	1j	No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k	No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l	No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m	No
n Sharing of paid employees with related organization(s)	1n	No
o Reimbursement paid to related organization(s) for expenses	1o	No
p Reimbursement paid by related organization(s) for expenses	1p	No
q Other transfer of cash or property to related organization(s)	1q	No
r Other transfer of cash or property from related organization(s)	1r	No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

Part VI Unrelated Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier**Return Reference****Explanation****Schedule R (Form 990) 2011**

To
JAN Steele
Union Tribune
619 260-5094

Office of
The City Attorney
City of San Diego

MEMORANDUM
MS 59

(619) 236-6220

DATE: June 24, 2008
TO: Mary Lewis, Chief Financial Officer
FROM: City Attorney
SUBJECT: The Zoo Tax: Charter Section 77a requirements

Your memorandum of May 21, 2008 requests that this Office determine the City's obligation to support the San Diego Zoo with tax revenues, and if those revenues may be used by other organizations or for other purposes within Balboa Park. The short answers to your questions are that the City has an obligation to support the Zoo in Balboa Park, and that the revenues may not be used for any other purpose, as we explain in more detail below.

ANALYSIS

1. The City of San Diego is Obligated to Support the San Diego Zoo with a Special Tax Levy.

The City's obligation to support the San Diego Zoo in Balboa Park with tax revenues is determined by San Diego Charter section 77a. Section 77a was the result of a citizens' initiative that qualified for the ballot in the summer of 1934. 1934 Op. City Att'y 432. San Diego voters assumed the duty to pay a specified tax to support the San Diego Zoo within Balboa Park at the special election of November 6, 1934. Section 77a became operative January 21, 1935.¹ The section was amended by voters to add its second paragraph at the April 22, 1941 election, becoming operative May 8, 1941. It has remained unchanged since 1941.

Section 77a provides:

The Council shall levy annually, in addition to all other taxes provided for in this Charter, not less than two cents (\$0.02) on each one hundred dollars (\$100.00) of

¹ This early voter action exempts this tax from the tax limitation requirements of subdivision (a) of section 1, article XIII A of the California Constitution. Cal. Const., art XIII A § 1(b); *Patton v. City of Alameda*, 40 Cal. 3d 41, 46-48 (1985).

Mary Lewis, Chief Financial Officer

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a particular type of organization to maintain those exhibits, and to provide that organization with the proceeds of the mandatory tax levy. Accordingly, this Office finds the City is obligated to support the San Diego Zoo exhibits in Balboa Park by tax revenues as required by Charter section 77a.

2. The City of San Diego May Not Divert Charter Section 77a Tax Revenues to Other Organizations or for Other Balboa Park Purposes.

Whether the City may divert the special taxes levied under section 77a for some other purpose, or to organizations other than one meeting section 77a requirements, is also determined by the plain language of the section. The special tax authorized by the section is very particularly described as one that must "be used *exclusively* for the maintenance in Balboa Park of zoological exhibits." San Diego Charter § 77a (emphasis added). Courts have determined that when tax proceeds are designated to "be used exclusively for" one purpose, they "shall not be used for others. 'Exclusively' means to the exclusion of all others. . . . 'Exclusively' means 'only,' 'solely,' 'purely,' 'wholly,' to the exclusion of other things." *South Dakota Auto. Club, Inc. v. Volk*, 305 N.W.2d 693, 700 (S.D., 1981.), citing to *Standard Oil Co. of Texas v. State*, 142 S.W.2d 519, 522 (Tex. Civ. App. 1940), and *Weiprecht v. Gill*, 191 Md. 478, 485, 62 A.2d 253, 256 (1948).

When the Council decides it is "for the best interests of the City," the Council may contract to maintain the Balboa Park zoological exhibits with any organization that meets section 77a's requirements. *Ibid*. The organization must be one "formed primarily for the purposes of maintaining zoological gardens and zoological exhibits and conducting general zoological work." *Id*. The contract may only be "for the maintenance in Balboa Park of zoological exhibits" and the Council is entitled to set the "terms and conditions" of the contract. *Id*. After there is a contract with a qualifying organization, the Council has authority to "make available to such organization *the* proceeds of the special tax levy provided for in this section." *Id*. (emphasis added)

This Office has previously decided that the proceeds of the special tax levy may not be used for other City purposes. 1941 Op. City Att'y 1 (surplus funds may not be transferred to the general fund); 1948 Op. City Att'y 142 (increase in tax levy due to higher property values is "trust fund" for zoological exhibits in Balboa Park and "can be utilized for no other purpose."). We agree with the conclusions of these earlier opinions. Section 77a is clear and unequivocal. The proceeds of the special tax levy required by section 77a must be used "exclusively" for the maintenance in Balboa Park of zoological exhibits. Moreover, if the City decides to contract for the maintenance of the Balboa Park zoological exhibits, it may only provide the tax revenues collected for this specific purpose to an organization meeting the section's eligibility requirements, and only for the maintenance of the Balboa Park zoological exhibits.


the assessed valuation of the real and personal property within the City, to be used exclusively for the maintenance in Balboa Park of zoological exhibits.

Whenever the Council deems it to be for the best interests of the City, the Council may enter into a contract, upon such terms and conditions as the Council may prescribe, for the maintenance in Balboa Park of zoological exhibits, with any organization formed primarily for the purposes of maintaining zoological gardens and zoological exhibits and conducting general zoological work; and may make available to such organization the proceeds of the special tax levy provided for in this section.

This Office applies established rules of construction to determine the meaning of City Charter provisions in the same manner as would a court. Changes to a city charter are interpreted to determine voter intent in the same way as are changes made to the state's constitution. *Woo v. Superior Court*, 83 Cal. App. 4th 967, 975 (2000). We look first to the words of the provisions, giving "the usual, ordinary, and commonsense meaning to them." *Howard Jarvis Taxpayers Ass'n v. County of Orange*, 110 Cal. App. 4th 1375, 1381(2003). If the language is clear and unambiguous, we presume the voters intended the meaning apparent on the face of the measure and end our inquiry. *Woo*, 83 Cal. App. 4th at 975.

The first paragraph of Charter section 77a provides that "[t]he Council *shall* levy annually. . . ." the additional property tax it describes. (emphasis added.) In contrast, the second paragraph of section 77a provides: ". . . the Council *may* enter into a contract . . . with any organization . . . and *may* make available to such organization the proceeds of the special tax levy provided for in this section." (emphasis added.) Absent some indication they should mean otherwise, the word 'shall' is ordinarily interpreted as mandatory, and the word 'may' is construed as permissive. *People v. Ledesma*, 16 Cal. 4th 90, 95 (1997). This is especially so where both 'shall' and 'may' are used in the same provision. *Common Cause v. Board of Supervisors*, 49 Cal. 3d 432, 443 (1989); *In re Richard E.*, 21 Cal. 3d 349, 353 (1978).

In Charter section 77a, San Diego voters approved both 'shall' and 'may' in the same provision, applying them to two different actions by the City Council. There is no indication the words should be interpreted in other than their ordinary sense. This Office concludes the words of the section mean what they say. The Council is *required* to levy a tax to be used for maintenance of the zoological exhibits in Balboa Park.² The Council is *permitted* to contract with

 ² The Council meets this Charter obligation by annually adopting a tax rate ordinance. S.D. Charter § 75. The San Diego County Assessor and Tax Collector makes the assessment and collects the taxes pursuant to controlling state laws. S.D. Charter § 78; *Domenghini v. County of San Luis*, 40 Cal.App.3d 689, 694-695 (1974). To be consistent with changes in those controlling state laws since 1941, the \$.02 per \$100 assessed valuation mentioned in Charter section 77a has been converted to an actual rate of 0.005 % per \$100 assessed valuation. Cal. Rev. & Tax. Code §§ 401 and 135; *also* 65 Op. Cal. Att'y Gen'l. 136, 138 n.2 (1982).

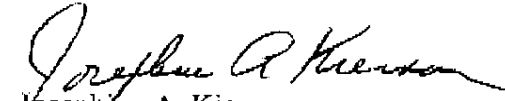
Accordingly, this Office concludes that the City may not divert any of the special tax levy required by section 77a to any purpose other than the maintenance of Balboa Park zoological exhibits, or to any organization other than one with whom the City has a contractual agreement meeting section 77a's requirements.³

CONCLUSIONS

San Diego Charter section 77a obligates the City to levy a special tax to support the San Diego Zoo in Balboa Park. The proceeds from the special levy must be used "exclusively for the maintenance in Balboa Park of zoological exhibits." The City may contract with an eligible organization to provide the maintenance of the Balboa Park exhibits and provide the organizations with proceeds of the special tax levy for that purpose. The City currently has a long-term contract with the San Diego Zoological Society that meets the requirements of the section. None of the special tax levy may be used by the City or the Zoological Society for any purpose other than the maintenance of zoological exhibits in Balboa Park, nor may the tax levy be used by any organization other than one contracting with the City pursuant to the requirements of section 77a.

MICHAEL J. AGUIRRE, City Attorney

By


Josephine A. Kiernan
Deputy City Attorney

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cc: Mayor and City Councilmembers
Independent Budget Analyst

³ The City has a 55-year lease-operating agreement with the San Diego Zoological Society executed on July 23, 1979 (Doc. No. 767195) in accordance with Reso 224068 (July 23, 1979) that gives the Society access to the Charter section 77a revenues for maintenance of the zoological exhibits in Balboa Park.