

**LOS ANGELES PARKS
FOUNDATION
(A California Nonprofit
Corporation)**

**FINANCIAL STATEMENTS
For the year ended
December 31, 2018**

**LOS ANGELES PARKS FOUNDATION
(A California Nonprofit Corporation)**

For the year ended December 31, 2018

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Los Angeles Parks Foundation
Los Angeles, California

We have audited the accompanying financial statements of Los Angeles Parks Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Parks Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Maginnis Knechtel & McIntyre, LLP

Pasadena, California
May 28, 2019

LOS ANGELES PARKS FOUNDATION

Statement of Financial Position

December 31, 2018

Assets

Current assets	
Cash and cash equivalents (including board designated amount of \$13,440)	\$ 3,293,846
Investments (including board designated amount of \$613,628)	2,811,095
Grants receivable	4,120,000
Bench inventory	20,981
Prepaid expenses	272,342
	<hr/>
Total current assets	10,518,264
Fixed assets, net	<hr/> 120,484
Total assets	<hr/> <hr/> \$ 10,638,748

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 179,748
Deferred revenue	45,984
	<hr/>
Total current liabilities	225,732
Net assets:	
Without donor restrictions	
Board designated	627,068
Undesignated	614,092
	<hr/>
	1,241,160
With donor restrictions	<hr/> 9,171,856
Total net assets	<hr/> 10,413,016
Total liabilities and net assets	<hr/> <hr/> \$ 10,638,748

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

Statement of Activities

For the year ended December 31, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Change in net assets:			
Revenue:			
Contributions	\$ 259,004	\$ 11,756,940	\$ 12,015,944
Fundraising	277,298	-	277,298
Investment income	77,087	-	77,087
Net realized and unrealized gain from investments	(40,905)	-	(40,905)
Other income	-	-	-
Net assets released from restrictions:			
Satisfaction of program restrictions	4,854,856	(4,854,856)	-
Total revenue	<u>5,427,340</u>	<u>6,902,084</u>	<u>12,329,424</u>
Expenses:			
Grants and program services	4,751,633	-	4,751,633
General and administration	399,479	-	399,479
Fundraising	187,777	-	187,777
Total expenses	<u>5,338,889</u>	<u>-</u>	<u>5,338,889</u>
Change in net assets	88,451	6,902,084	6,990,535
Net assets at beginning of year	<u>1,152,709</u>	<u>2,269,772</u>	<u>3,422,481</u>
Net assets at end of year	<u>\$ 1,241,160</u>	<u>\$ 9,171,856</u>	<u>\$ 10,413,016</u>

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Program services	General & administration	Fundraising	Total expenses
Expenses:				
Audit Accounting & Tax Prep	\$ -	\$ 45,996	\$ -	\$ 45,996
Bank & CC Charges	85	13,193	-	13,278
Board Expense	-	10,922	-	10,922
Catering	25,920	-	11,632	37,552
Computer	20,361	12,522	1,031	33,914
Consulting	2,625	6,282	-	8,907
Contract Services	185,546	-	44,258	229,804
Capital Construction	2,662,326	-	-	2,662,326
Capital Equipment & Supplies	858,711	-	-	858,711
Depreciation	2,167	16,063	-	18,230
Dues & Memberships	-	560	-	560
Equipment Rental & Maint.	13,999	-	12,990	26,989
Grants	345,213	100	-	345,313
Insurance	-	16,158	-	16,158
Meetings & Conferences	6,403	11,385	350	18,138
Mileage, Parking & Auto Lease	1,776	10,961	-	12,737
Other	-	788	-	788
Payroll- Salaries & Wages	215,911	150,156	70,816	436,883
Payroll Service Charges	913	515	310	1,738
Payroll Taxes & Employee Benefits	20,686	17,555	6,582	44,823
Postage	173	2,393	608	3,174
Printing	2,804	10,561	6,216	19,581
Public Relations/Marketing	109,660	48,802	17,797	176,259
Rent & Utilities	290	4,477	-	4,767
Repairs & Maintenance	-	3,802	-	3,802
Supplies/ Equipment	275,548	4,451	13,892	293,891
Tax Permits & Licenses	516	70	1,295	1,881
Telephone	-	9,505	-	9,505
Website	-	2,262	-	2,262
Total expense	\$ 4,751,633	\$ 399,479	\$ 187,777	\$ 5,338,889

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

Statement of Cash Flows

For the year ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 6,990,535
Adjustments to reconcile net assets to net cash provided (used) by operating activities:	
Depreciation	18,230
Net realized and unrealized loss from investments	40,905
Changes in assets and liabilities:	
Grants receivables	(4,027,885)
Inventory	(278)
Prepaid expenses	(251,488)
Accounts payable and accrued expenses	169,213
Deferred revenue	5,192
	<hr/>
Net cash provided by operating activities	2,944,424
Cash flows from investing activities:	
Purchases of fixed assets	(29,966)
Purchase of investments	(5,674,054)
Sale of investments	5,382,216
	<hr/>
Net cash used in investing activities	(321,804)
Net increase in cash	2,622,620
Cash and cash equivalents, beginning of year	<hr/> 671,226
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 3,293,846
Supplemental disclosure of non-cash financing activities	
Stock contribution	<hr/> <hr/> \$ 15,987

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1 Organization and purposes

The Los Angeles Parks Foundation, a nonprofit corporation, was founded in 2008. The primary purposes of the Los Angeles Parks Foundation are the solicitation of private contributions to support the expansion, improvement and preservation of parks and recreation facilities of Los Angeles and to expand programs and services for recreational, physical and cultural opportunities for the citizens of Los Angeles. The Foundation seeks funds for projects that complement, but not supplant, the responsibility of the government for continued maintenance of the facilities, staff, programs and services related to such parks and recreation facilities. Additionally, the Foundation may engage in any activities that are reasonably related to or in furtherance of its stated charitable and public purposes, or in any other charitable activities.

2 Summary of significant accounting policies

Basis of Accounting

The financial statements of the Los Angeles Parks Foundation have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Preparation

The Los Angeles Parks Foundation reports amounts in the accompanying financial statements for each of two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include contributions received without any donor-imposed restrictions. All expenses are reported as decreases in net assets without donor restrictions. Revenues, gains and losses on assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor-imposed stipulations.

Net assets with donor restrictions are classified as such based on donor stipulations that they be used for a specified purpose or timing of use. Net assets with donor restrictions become available once the restriction has been satisfied. Once satisfied, these amounts are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions.

Contribution Revenue

Contributions received, including unconditional promises to give, are recognized as revenues and assets in the period received at their net realizable values. The Los Angeles Parks Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

Cash and cash equivalents

For purposes of the statement of cash flows, the Los Angeles Parks Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization carries investments in certificates of deposit, equities and mutual funds with readily determinable fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the accompanying Statement of Activities.

Grants receivable

Grants receivable represents commitments made to the Foundation for specific park projects and are classified as net assets with donor restrictions. Grants receivable are expected to be realized in the amount of \$4,120,000 in 2018.

Concentration of credit risk

Cash and investments are held at Merrill Lynch. Under the Merrill Lynch Bank Deposit Program, cash balances are insured by the FDIC up to \$250,000 per customer. Additionally, client accounts are protected by the SIPC up to a maximum of \$500,000 per client for securities, inclusive of up to \$250,000 per client for cash. As of December 31, 2018, balance on held at Merrill Lynch exceeded FDIC and SIPC insured limit. The Organization believes it is not exposed to any significant credit risk on its cash and investment balances.

Fixed assets

Fixed assets are capitalized at cost. It is the Foundation's policy to capitalize expenditures for these items in excess of one hundred dollars. Lesser amounts are expensed. Furniture and equipment are being depreciated over estimated useful lives of three to seven years using a straight-line method. Website development costs and leasehold improvements are amortized over four years.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

Expense allocation

Expenses that can be specifically identified with a particular program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management.

Income taxes

The Los Angeles Parks Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code.

United States federal and state jurisdictions in which the Company files tax returns have statutes of limitations that generally range from three to four years. No open tax returns are currently under examination in the U.S. federal or state jurisdictions.

Date of management's review

Management has evaluated subsequent events through May 28, 2019, the date the financial statements were available to be issued.

3 Accounting change

The Los Angeles Park Foundation adopted Accounting Standards Update 2016-14 (ASU 2016-14) during the year ended December 31, 2018. ASU 2016-14 requires net assets to be presented as "without donor restrictions" and "with donor restrictions" on the statement of financial position. Also on the statement of activities, the columns will be labeled as "without donor restrictions" and "with donor restrictions". Prior to adoption, the net assets on the statement of financial position were presented as unrestricted, temporarily restricted, and permanently restricted. Also on the statement of activities, the columns were also labeled as unrestricted, temporarily restricted, and permanently restricted. There was no changes in the net asset classes and there was no reclassification.

4

Investments

Investments consist of certificates of deposit (CD), mutual funds and equities. The company diversified its investment in CDs to FDIC insured financial institutions to ensure each CD is at or below current \$250,000 FDIC insurance limit. At December 31, 2018, the fair market value of the investments was \$2,811,095, which was \$11,892 more than the cost.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

5 Fair value of financial instruments

Financial Instruments

The following methods and assumptions were used by the Los Angeles Parks Foundation in estimating its fair value disclosures for financial instruments:

The following table presents the Foundation's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date Using		
	Cost	Market	Quoted Prices In Active Markets For Identical Assets (Level 1)
	<u> </u>	<u> </u>	<u> </u>
Certificate of deposits	\$2,203,027	\$2,197,467	\$ 2,197,467
Equities	336,607	365,783	365,783
Mutual funds	<u>259,569</u>	<u>247,845</u>	<u>247,845</u>
 Total Investments	 <u>\$2,799,203</u>	 <u>\$2,811,095</u>	 <u>\$ 2,811,095</u>

The return on these investments for the year ended December 31, 2018 is as follows:

Total realized and unrealized gain	\$ (40,905)
Interest and dividend income	77,087
Fees	<u>(7,901)</u>
 Total investments return	 <u>\$ 28,281</u>

6 Fixed assets

The following is a summary of fixed assets as of December 31, 2018:

Furniture and equipment	\$ 32,308
Website development costs	45,800
Leasehold improvements	<u>153,278</u>
	231,386
 Less accumulated depreciation	 <u>(110,902)</u>
 Total	 <u>\$ 120,484</u>

Depreciation expense was \$18,230 for the year ended December 31, 2018.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

7 Board designated endowment

The Board designated funds represent assets set aside by board action. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor-restrictions – Board designated. The earnings of those funds are available to be used for operations only in the event of an emergency necessary to maintain the foundation’s solvency. Los Angeles Parks Foundation has adopted a long-term investment objective of long-term income and growth based on its investment goals and time horizon available for investment and overall risk toleration. For year ended December 31, 2018, the designated endowment funds include mutual funds and equities. The balance increased from \$592,134 to \$627,068 by the Board approved \$60,000 and interest income of \$21,182 net with fees of \$8,049 and realized and unrealized loss of \$38,199.

8 Net assets with donor restrictions

Net assets with donor restrictions consist of donor-imposed contributions in cash and receivables and are available for specific grant purposes:

Adopt a Park	\$ 147,316
Bench Program	18,348
Friends of the Park	172,140
Park Events (formerly Fundraising Events)	295,519
Griffith Park Urban Environment Center	102,629
Clipper Courts	7,109,073
Special Projects	1,199,657
Small Projects	<u>127,174</u>
Total net assets with donor restrictions	<u>\$9,171,856</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by the donors as follows:

Adopt a Park	\$ 69,964
Bench Program	43,666
Friends of the Park	168,867
Park Events (formerly Fundraising Events)	95,557
Griffith Park Urban Environment Center	30,726
Clipper Courts	2,890,926
Special Projects	1,375,518
Small Projects	<u>179,632</u>
Total net assets with donor restrictions	<u>\$4,854,856</u>

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

9 Contributed services

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A significant amount of time was volunteered by community leaders towards the overall activities of the Los Angeles Parks Foundation which are not included in the accompanying financial statements as they do not meet the criteria described above.

10 Liquidity and availability of net assets

The Los Angeles Park Foundation has \$10,497,283 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$3,293,846, investment of \$ 2,811,095, and grants receivable of \$4,120,000. Receivable are expected to be collected within one year. Included in the above amounts is \$8,927,177 in donor restricted net assets; however, these funds are available to be used in the next year.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is generally held in savings or money market accounts until it is required for operational use.

11 Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.