

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

**FINANCIAL STATEMENTS
For the year ended
December 31, 2019**

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

For the year ended December 31, 2019

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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, 2019, 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, 2019, 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.

Pasadena, California
May 12, 2020

LOS ANGELES PARKS FOUNDATION

Statement of Financial Position

December 31, 2019

Assets

Current assets	
Cash and cash equivalents (including board designated amount of \$15,520)	\$ 1,352,853
Investments (including board designated amount of \$839,872)	4,457,521
Grants receivable	1,052,000
Bench inventory	30,424
Prepaid expenses	297,809
	<hr/>
Total current assets	7,190,607
Fixed assets, net	<hr/> 101,065
Total assets	<hr/> <hr/> \$ 7,291,672

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 307,647
Net assets:	
Without donor restrictions	
Board designated	855,392
Undesignated	911,191
	<hr/> 1,766,583
With donor restrictions	<hr/> 5,217,442
Total net assets	<hr/> 6,984,025
Total liabilities and net assets	<hr/> <hr/> \$ 7,291,672

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION**Statement of Activities**

For the year ended December 31, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Change in net assets:			
Revenue:			
Contributions	\$ 135,666	\$ 2,147,569	\$ 2,283,235
Fundraising	390,544	-	390,544
Investment income	105,571	-	105,571
Net realized and unrealized gain from investments	116,611	-	116,611
In-kind contribution	4,301	16,099	20,400
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>6,118,082</u>	<u>(6,118,082)</u>	<u>-</u>
Total revenue	<u>6,870,775</u>	<u>(3,954,414)</u>	<u>2,916,361</u>
Expenses:			
Grants and program services	5,887,399	-	5,887,399
General and administration	299,556	-	299,556
Fundraising	<u>158,397</u>	<u>-</u>	<u>158,397</u>
Total expenses	<u>6,345,352</u>	<u>-</u>	<u>6,345,352</u>
Change in net assets	525,423	(3,954,414)	(3,428,991)
Net assets at beginning of year	<u>1,241,160</u>	<u>9,171,856</u>	<u>10,413,016</u>
Net assets at end of year	<u>\$ 1,766,583</u>	<u>\$ 5,217,442</u>	<u>\$ 6,984,025</u>

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	<u>Program services</u>	<u>General & administration</u>	<u>Fundraising</u>	<u>Total expenses</u>
Expenses:				
Audit Accounting & Tax Prep	\$ -	\$ 46,670	\$ -	\$ 46,670
Bank & CC Charges	1,272	14,814	-	16,086
Board Expense	-	6,251	-	6,251
Catering	7,440	342	13,577	21,359
Computer	467	11,485	2,476	14,428
Consulting	-	1,750	-	1,750
Contract Services	386,342	-	35,612	421,954
Capital Construction	4,405,879	-	-	4,405,879
Capital Equipment & Supplies	460,098	-	8,460	468,558
Depreciation	2,167	18,072	-	20,239
Dues & Memberships	-	5,560	-	5,560
Equipment Rental & Maint.	8,889	-	14,080	22,969
Grants	165,227	533	-	165,760
Insurance	-	18,127	-	18,127
Legal Fee	-	17,484	-	17,484
Meetings & Conferences	19,829	5,149	659	25,637
Mileage, Parking & Auto Lease	3,851	5,987	48	9,886
Other	2,500	221	63	2,784
Payroll- Salaries & Wages	276,940	88,959	60,513	426,412
Payroll Service Charges	1,564	704	475	2,743
Payroll Taxes & Employee Benefits	19,295	8,322	5,992	33,609
Postage	93	986	170	1,249
Printing	7,205	17,647	12,104	36,956
Public Relations/Marketing	83,368	5,636	867	89,871
Rent & Utilities	17,928	2,841	1,619	22,388
Repairs & Maintenance	8,100	5,074	-	13,174
Supplies/ Equipment	783	4,491	144	5,418
Tax Permits & Licenses	7,518	531	1,538	9,587
Telephone	644	9,055	-	9,699
Website	-	2,865	-	2,865
Total expense	<u>\$ 5,887,399</u>	<u>\$ 299,556</u>	<u>\$ 158,397</u>	<u>\$ 6,345,352</u>

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

Statement of Cash Flows

For the year ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ (3,428,991)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:	
Depreciation	20,239
Net realized and unrealized gain from investments	(116,611)
Changes in assets and liabilities:	
Grants receivables	3,068,000
Bench inventory	(9,443)
Prepaid expenses	(25,467)
Accounts payable and accrued expenses	127,899
Deferred revenue	(45,984)
	<hr/>
Net cash used in operating activities	(410,358)
Cash flows from investing activities:	
Purchases of fixed assets	(820)
Purchase of investments	(8,338,644)
Sale of investments	6,808,829
	<hr/>
Net cash used in investing activities	(1,530,635)
Net decrease in cash	(1,940,993)
Cash and cash equivalents, beginning of year	<hr/> 3,293,846
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 1,352,853

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1 Organization and purposes

The Los Angeles Parks Foundation (the 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

Contributed services and in-kind contribution

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.

The Foundation is granted a right-to-entry of a property located inside Griffith Park owned by City of Los Angeles. The estimated value of the right-to-entry is recorded as in-kind contribution and related expenses allocated among program and non-program expenses.

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 Foundation 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 \$1,052,000 in 2020.

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, 2019, balance on held at Merrill Lynch exceeded FDIC and SIPC insured limit. The Foundation believes it is not exposed to any significant credit risk on its cash and investment balances.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

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.

Expense allocation

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.

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. Accordingly, payroll expenses are allocated based on personnel function, time and effort.

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 Foundation 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.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

Recent adoption of accounting pronouncement

In June of 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and accounting guidance for contributions received and made. ASU 2018-08 provides a framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance helps determine whether a contribution is conditional and makes more clear a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 will take effect for fiscal years beginning after December 15, 2018 for resource recipients and for fiscal years beginning after December 15, 2019 for resource providers. The Foundation adopted this guidance for the year ended December 31, 2019. The adoption of this guidance had no significant impact on how the Foundation accounts for its activities.

Date of management's review

Management has evaluated subsequent events through May 12, 2020, the date the financial statements were available to be issued.

3 Investments

Investments consist of certificates of deposit (CD), mutual funds and equities. The Foundation 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, 2019, the fair market value of the investments was \$4,457,521, which was \$116,212 more than the cost.

4 Fair value of 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>Cost</u>	<u>Market</u>	<u>(Level 1)</u>
Certificate of deposits	\$3,617,000	\$3,617,649	\$ 3,617,649
Equities	414,793	528,012	528,012
Mutual funds	<u>309,515</u>	<u>311,859</u>	<u>311,859</u>
 Total Investments	 <u>\$4,341,308</u>	 <u>\$4,457,520</u>	 <u>\$ 4,457,520</u>

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

4 Fair value of financial instruments, continued

The return on these investments for the year ended December 31, 2019 is as follows:

Total realized and unrealized gain	\$ 116,611
Interest and dividend income	105,571
Fees	<u>(9,472)</u>
Total investments return	<u>\$ 212,710</u>

5 Fixed assets

The following is a summary of fixed assets as of December 31, 2019:

Furniture and equipment	\$ 33,128
Website development costs	45,800
Leasehold improvements	<u>153,278</u>
	232,206
Less accumulated depreciation	<u>(131,141)</u>
Total	<u>\$ 101,065</u>

Depreciation expense was \$20,239 for the year ended December 31, 2019.

6 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 Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 4% plus the rate of inflation annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

6 Board designated endowment, continued

The Foundation's Board of Directors established the Endowment Fund in 2012 with a clear intention affirmed by its policy that unless required for emergency purposes to maintain the Foundation's solvency, the Endowment Funds would not be appropriated for expenditures.

For year ended December 31, 2019, the designated endowment funds include mutual funds and equities. The balance increased from \$627,068 to \$855,392 by the Board approved \$100,000 and interest income of \$27,177 net with fees of \$9,472 and realized and unrealized gain of \$110,619.

7 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	\$ 189,261
Bench Program	35,116
Friends of the Park	156,318
Park Events (formerly Fundraising Events)	355,107
Griffith Park Urban Environment Center	97,426
Clipper Courts	2,727,052
Special Projects	1,517,681
Small Projects	<u>139,481</u>
Total net assets with donor restrictions	<u>\$5,217,442</u>

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

Adopt a Park	\$ 67,555
Bench Program	29,592
Friends of the Park	93,616
Park Events (formerly Fundraising Events)	133,599
Griffith Park Urban Environment Center	5,202
Clipper Courts	4,382,022
Special Projects	1,303,704
Small Projects	<u>86,693</u>
Total net assets with donor restrictions	<u>\$6,118,082</u>

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

8 Liquidity and availability of net assets

The Foundation has \$6,862,374 of financial assets available as of the financial position date consisting of cash and cash equivalents of \$1,352,853, investment of \$ 4,457,521, and grants receivable of \$1,052,000. Receivable are expected to be collected within one year. Included in the above amounts is \$5,217,442 in donor restricted net assets and \$855,392 in net assets restricted by the board. For the year ended December 31, 2019, \$789,540 is available to be used within one year of the financial position date to meet cash needs for general expenditures.

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.

9 Subsequent event

In March 2020, the World Health Organization declared a global pandemic in response to an outbreak of a novel coronavirus (COVID-19). The full extent to which the coronavirus may impact the Foundation's results of operations, liquidity or financial position is uncertain. Management continues to monitor the impact that the COVID-19 pandemic is having on the Foundation and the industry in which the Foundation operates. However, given the speed and frequency of continuously evolving developments with respect to this pandemic, the Foundation cannot reasonably estimate the magnitude of the impact to its results of operations, and, if the outbreak continues on its current trajectory, such impacts could grow and become material to its liquidity or financial position.

The Foundation applied and was approved in May 2020 a \$67,803 Paycheck Protection Program (PPP) loan under the CARES Act which allows the borrowers to apply for loan forgiveness if certain requirements are met.