

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

**FINANCIAL STATEMENTS
For the year ended
December 31, 2020**

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

For the year ended December 31, 2020

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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, 2020, 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, 2020, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the recent global COVID-19 pandemic has resulted in reduced economic activity and market changes. As the extent and duration of the future impact to the Foundation are uncertain, no adjustments were made to the financial statements. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Maginnis Knechtel & McIntyre, LLP". The signature is written in a cursive, flowing style.

Pasadena, California
June 25, 2021

LOS ANGELES PARKS FOUNDATION

Statement of Financial Position

December 31, 2020

Assets

Current assets	
Cash and cash equivalents (including board designated amount of \$35,453)	\$ 409,183
Investments (including board designated amount of \$877,723)	4,580,962
Grants and donation receivable	1,056,757
Bench inventory	15,867
Prepaid expenses	117,630
	<hr/>
Total current assets	6,180,399
Fixed assets, net	<hr/> 82,200
Total assets	<hr/> <hr/> \$ 6,262,599

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 83,969
Paycheck Protection Program loan	67,803
	<hr/>
Total current liabilities	151,772
Net assets:	
Without donor restrictions	
Board designated	913,176
Undesignated	1,077,606
	<hr/>
	1,990,782
With donor restrictions	<hr/> 4,120,045
Total net assets	<hr/> 6,110,827
Total liabilities and net assets	<hr/> <hr/> \$ 6,262,599

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

Statement of Activities

For the year ended December 31, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Change in net assets:			
Revenue:			
Contributions	\$ 232,942	\$ 1,936,743	\$ 2,169,685
Fundraising	57,945	-	57,945
Investment income	73,211	-	73,211
Net realized and unrealized gain from investments	41,803	-	41,803
In-kind contribution	4,301	421,156	425,457
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>3,455,296</u>	<u>(3,455,296)</u>	<u>-</u>
Total revenue	<u>3,865,498</u>	<u>(1,097,397)</u>	<u>2,768,101</u>
Expenses:			
Grants and program services	3,277,612	-	3,277,612
General and administration	296,229	-	296,229
Fundraising	<u>67,458</u>	<u>-</u>	<u>67,458</u>
Total expenses	<u>3,641,299</u>	<u>-</u>	<u>3,641,299</u>
Change in net assets	224,199	(1,097,397)	(873,198)
Net assets at beginning of year	<u>1,766,583</u>	<u>5,217,442</u>	<u>6,984,025</u>
Net assets at end of year	<u>\$ 1,990,782</u>	<u>\$ 4,120,045</u>	<u>\$ 6,110,827</u>

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020

	<u>Program services</u>	<u>General & administration</u>	<u>Fundraising</u>	<u>Total expenses</u>
Expenses:				
Audit Accounting & Tax Prep	\$ -	\$ 49,500	\$ -	\$ 49,500
Bank & CC Charges	1,003	11,758	-	12,761
Board Expense	-	506	-	506
Catering	-	368	-	368
Computer	-	10,533	2,475	13,008
Contract Services	613,396	22,375	9,610	645,381
Capital Construction	1,804,018	-	-	1,804,018
Capital Equipment & Supplies	483,726	1,930	-	485,656
Depreciation	1,083	17,782	-	18,865
Dues & Memberships	70	5,705	-	5,775
Equipment Rental & Maint.	51,888	-	-	51,888
Grants	71,543	-	-	71,543
Insurance	-	21,477	-	21,477
Legal Fee	-	218	-	218
Meetings & Conferences	15,245	1,106	-	16,351
Mileage, Parking & Auto Lease	2,103	6,481	-	8,584
Payroll Salaries & Wages	185,709	108,411	39,453	333,573
Payroll Service Charges	2,265	1,522	845	4,632
Payroll Taxes & Employee Benefits	13,790	11,676	5,101	30,567
Postage	850	390	-	1,240
Printing	-	3,024	8,132	11,156
Public Relations/Marketing	5,094	318	288	5,700
Rent & Utilities	18,069	2,814	1,487	22,370
Repairs & Maintenance	7,610	4,230	-	11,840
Supplies/Equipment	-	1,714	5	1,719
Tax Permits & Licenses	150	3,265	62	3,477
Telephone	-	7,826	-	7,826
Website	-	1,300	-	1,300
	<hr/>	<hr/>	<hr/>	<hr/>
Total expense	\$ 3,277,612	\$ 296,229	\$ 67,458	\$ 3,641,299

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

Statement of Cash Flows

For the year ended December 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ (873,198)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:	
Depreciation	18,865
Net realized and unrealized gain from investments	(41,803)
Changes in assets and liabilities:	
Grants and donation receivable	(4,757)
Bench inventory	14,557
Prepaid expenses	180,179
Accounts payable and accrued expenses	<u>(223,678)</u>
Net cash (used) in operating activities	(929,835)
Cash flows from investing activities:	
Purchase of investments	(6,281,646)
Sale of investments	<u>6,200,008</u>
Net cash (used) in investing activities	(81,638)
Cash flows from financing activities:	
Proceeds from Paycheck Protection Program loan	<u>67,803</u>
Net cash provided by financing activities	<u>67,803</u>
Net decrease in cash	(943,670)
Cash and cash equivalents, beginning of year	<u>1,352,853</u>
Cash and cash equivalents, end of year	<u><u>\$ 409,183</u></u>

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

The City of Los Angeles Department of Recreation and Parks contributed significant services on behalf of the Clippers Courts Project. The estimated value of the services rendered is recorded as an in-kind contribution and the related expenses are allocated among 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 and donation receivable

Grants and donation 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 \$1,000,000 in 2021.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

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, 2020, the balance held at Merrill Lynch exceeded the FDIC and SIPC insured limits. The Foundation 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.

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. The Foundation is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

Income taxes, continued

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.

Date of management's review

Management has evaluated subsequent events through June 25, 2021, 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 several FDIC insured financial institutions to ensure each CD is at or below current \$250,000 FDIC insurance limit. At December 31, 2020, the fair market value of the investments was \$4,580,962, which was \$162,718 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)
Certificate of deposits	\$3,702,902	\$3,703,239	\$ 3,703,239
Equities	419,680	556,755	556,755
Mutual funds	295,662	320,968	320,968
Total Investments	\$4,418,244	\$4,580,962	\$ 4,580,962

The return on these investments for the year ended December 31, 2020 is as follows:

Total realized and unrealized gain	\$ 41,803
Interest and dividend income	73,211
Fees	(10,884)
Total investments return	\$ 104,130

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

5 Fixed assets

The following is a summary of fixed assets as of December 31, 2020:

Furniture and equipment	\$ 33,128
Website development costs	45,800
Leasehold improvements	<u>153,278</u>
	232,206
Less accumulated depreciation	<u>(150,006)</u>
Total	<u>\$ 82,200</u>

Depreciation expense was \$18,865 for the year ended December 31, 2020.

6 Paycheck Protection Program loan

On May 5, 2020, the Foundation was granted a loan in the amount of \$67,803, pursuant to the Paycheck Protection Program (PPP) under the CARES Act. The loan matures on May 8, 2022, bears interest at a rate of 1% per year, and is payable monthly starting in November 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if used for qualifying expenses as described in the CARES Act. The Foundation is in the process of applying for partial loan forgiveness.

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 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

7 Board designated endowment, continued

The Foundation's Board of Directors established the Endowment Funds 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 the year ended December 31, 2020, the designated endowment funds include mutual funds and equities. The balance increased from \$855,392 to \$913,176 by earning interest income of \$25,903 net of fees of \$10,234 and realized and unrealized gains of \$42,115.

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	\$ 195,958
Bench Program	8,341
Friends of the Park	176,430
Park Events (formerly Fundraising Events)	360,743
Griffith Park Urban Environment Center	72,231
Clipper Courts	752,954
Special Projects	2,455,172
Small Projects	<u>98,216</u>
Total net assets with donor restrictions	<u>\$4,120,045</u>

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

Adopt a Park	\$ 112,303
Bench Program	59,975
Friends of the Park	47,376
Park Events (formerly Fundraising Events)	2,364
Griffith Park Urban Environment Center	41,869
Clipper Courts	2,371,709
Special Projects	762,584
Small Projects	<u>57,116</u>
Total net assets released from donor restrictions	<u>\$3,455,296</u>

LOS ANGELES PARKS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9 Liquidity and availability of net assets

The Foundation has \$6,046,902 of financial assets available as of the financial position date consisting of cash and cash equivalents of \$409,183, investments of \$4,580,962, and grants and donation receivable of \$1,056,757. Receivables are expected to be collected within one year. Included in the above amounts is \$4,120,045 in donor restricted net assets and \$913,176 in net assets designated by the board. For the year ended December 31, 2020, \$1,023,680 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.

10 COVID-19 update

Since March 2020, there has been a global pandemic due to an outbreak of a novel coronavirus (COVID-19) which has resulted in reduced economic activity and market changes. Management continues to monitor the impact that the COVID-19 pandemic is having on the Foundation and the industry in which the Foundation operates. 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. If the outbreak does not continue on its current downward trajectory due mainly to vaccinations, such impacts could once again grow and become material to the Foundation's liquidity or financial position.