

San Francisco Parks Alliance

Financial Statements

June 30, 2021
(With Comparative Totals for 2020)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 21



INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Francisco Parks Alliance
San Francisco, California

We have audited the accompanying financial statements of San Francisco Parks Alliance (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 San Francisco Parks Alliance as of June 30, 2021, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited San Francisco Parks Alliance's 2020 financial statements, and our report dated May 24, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

March 25, 2022

San Francisco Parks Alliance
Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,945,474	\$ 3,370,216
Investments	8,559,505	7,864,999
Accounts receivable	1,835,558	2,589,240
Contributions receivable, net	5,468,589	5,433,834
Prepaid expenses and other assets	75,500	97,347
Note receivable	37,000	137,000
Inventory - Conservatory of Flowers	15,738	15,738
Property and equipment, net	61,091	87,409
Total assets	\$ 18,998,455	\$ 19,595,783
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 732,522	\$ 1,760,153
Accrued expenses	669,544	522,676
Deferred revenue	91,312	91,312
Refundable advance (Paycheck Protection Program)	273,690	26,712
Line of credit	3,991,598	-
Note payable	149,900	-
Total liabilities	5,908,566	2,400,853
Net assets		
Without donor restrictions	2,851,570	2,593,796
With donor restrictions	10,238,319	14,601,134
Total net assets	13,089,889	17,194,930
Total liabilities and net assets	\$ 18,998,455	\$ 19,595,783

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

San Francisco Parks Alliance
Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains, and other support				
Grants and contributions	\$ 4,844,639	\$ 6,292,042	\$ 11,136,681	\$ 14,115,667
Paycheck Protection Program grant revenue	689,657	-	689,657	1,019,188
Admissions and sales	525,665	-	525,665	768,629
Membership fees	33,547	-	33,547	176,624
Administrative fees	458,844	-	458,844	1,077,082
Program service fees	257,599	-	257,599	213,686
Fundraising and special events	136,561	-	136,561	1,310,644
In-kind contributions	439,453	-	439,453	280,890
Investment income, net	1,208,680	-	1,208,680	381,208
Rental income	33,200	-	33,200	319,097
Miscellaneous	9,624	-	9,624	13,237
Net assets released from restriction	<u>10,654,857</u>	<u>(10,654,857)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>19,292,326</u>	<u>(4,362,815)</u>	<u>14,929,511</u>	<u>19,675,952</u>
Functional expenses				
Program services				
Park Partner programs	12,222,672	-	12,222,672	23,080,320
Conservatory of Flowers	<u>989,851</u>	<u>-</u>	<u>989,851</u>	<u>3,127,029</u>
Total program services	<u>13,212,523</u>	<u>-</u>	<u>13,212,523</u>	<u>26,207,349</u>
Support services				
Management and general	4,519,235	-	4,519,235	2,305,624
Fundraising	<u>1,302,794</u>	<u>-</u>	<u>1,302,794</u>	<u>2,731,892</u>
Total support services	<u>5,822,029</u>	<u>-</u>	<u>5,822,029</u>	<u>5,037,516</u>
Total functional expenses	<u>19,034,552</u>	<u>-</u>	<u>19,034,552</u>	<u>31,244,865</u>
Change in net assets	<u>257,774</u>	<u>(4,362,815)</u>	<u>(4,105,041)</u>	<u>(11,568,913)</u>
Net assets, beginning of year	<u>2,593,796</u>	<u>14,601,134</u>	<u>17,194,930</u>	<u>28,763,843</u>
Net assets, end of year	<u>\$ 2,851,570</u>	<u>\$ 10,238,319</u>	<u>\$ 13,089,889</u>	<u>\$ 17,194,930</u>

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

San Francisco Parks Alliance
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services			Support Services			2021 Total	2020 Total
	Park Partner Programs	Conservatory of Flowers	Total Program Services	Management and General	Fundraising	Total Support Services		
Personnel expenses	\$ 1,838,568	\$ 717,473	\$ 2,556,041	\$ 2,000,186	\$ 572,325	\$ 2,572,511	\$ 5,128,552	\$ 6,783,458
Outside services	-	16,767	16,767	41,886	-	41,886	58,653	1,131,179
Program contractors	8,230,151	52,581	8,282,732	575,344	331,876	907,220	9,189,952	15,181,256
Program supplies	348,738	22,698	371,436	133,334	8,398	141,732	513,168	925,145
Occupancy	72,626	13,650	86,276	129,431	-	129,431	215,707	159,046
Legal and professional fees	317,470	4,999	322,469	1,170,978	145,684	1,316,662	1,639,131	3,249,965
Administrative fees	325,428	45,404	370,832	19,711	69,301	89,012	459,844	1,077,130
Contributions	663,965	-	663,965	36,036	-	36,036	700,001	1,283,829
Advertising	7,275	4,036	11,311	24,773	90,298	115,071	126,382	295,681
Bank charges and processing fees	10,249	19,189	29,438	-	5,186	5,186	34,624	145,193
Depreciation	486	-	486	26,458	-	26,458	26,944	39,281
Books, subscriptions, periodicals	1,266	34,093	35,359	5,041	40	5,081	40,440	38,765
Furniture/equipment	220,396	8,961	229,357	15,729	-	15,729	245,086	131,034
Insurance	-	-	-	104,297	-	104,297	104,297	80,958
Interest expense	23,738	-	23,738	36,227	-	36,227	59,965	590
IT Services	48,113	15,624	63,737	70,546	55,469	126,015	189,752	269,848
Office supplies	3,019	1,097	4,116	17,153	884	18,037	22,153	70,793
Bad debt expense	-	-	-	53,640	-	53,640	53,640	-
Miscellaneous	78,673	13,767	92,440	46,901	6,955	53,856	146,296	145,422
Postage	1,557	7,531	9,088	4,840	869	5,709	14,797	36,322
Printing and publication	5,860	3,969	9,829	3,481	15,130	18,611	28,440	51,153
Taxes	799	(562)	237	2,079	-	2,079	2,316	1,907
Telephone and internet	20,556	5,745	26,301	410	-	410	26,711	27,418
Staff development and training	2,786	(1,401)	1,385	-	155	155	1,540	65,164
Travel	953	4,230	5,183	754	224	978	6,161	54,328
	<u>\$ 12,222,672</u>	<u>\$ 989,851</u>	<u>\$ 13,212,523</u>	<u>\$ 4,519,235</u>	<u>\$ 1,302,794</u>	<u>\$ 5,822,029</u>	<u>\$ 19,034,552</u>	<u>\$ 31,244,865</u>

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

San Francisco Parks Alliance
Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (4,105,041)	\$ (11,568,913)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	26,944	39,281
Realized and unrealized gains on investments, net	(1,140,047)	(166,636)
Changes in operating assets and liabilities		
Accounts receivable	753,682	(1,523,390)
Contributions receivable, net	(34,755)	5,369,597
Prepaid expenses and other assets	21,847	(15,617)
Accounts payable	(1,027,631)	1,678,198
Accrued expenses	146,868	203,096
Deferred revenue	-	(151,576)
Refundable advance (Paycheck Protection Program)	246,978	26,712
Net cash used in operating activities	(5,111,155)	(6,109,248)
Cash flows from investing activities		
Proceeds from sales of investments	2,090,465	12,272,168
Purchases of investments	(1,644,924)	(6,484,269)
Purchases of property and equipment	(626)	(12,747)
Principal payments collected on note receivable	100,000	13,000
Net cash provided by investing activities	544,915	5,788,152
Cash flows from financing activities		
Borrowings under note payable	149,900	-
Net borrowings on line of credit	3,991,598	-
Net cash provided by financing activities	4,141,498	-
Net decrease in cash	(424,742)	(321,096)
Cash and cash equivalents, beginning of year	3,370,216	3,691,312
Cash and cash equivalents, end of year	\$ 2,945,474	\$ 3,370,216

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

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

1. NATURE OF OPERATIONS

The San Francisco Parks Alliance (the "Organization") champions, transforms, and activates parks and public spaces throughout the city of San Francisco. The Organization envisions a city where every park and public space is beautiful, welcoming, and inspiring regardless of where it is located, from Pacific Heights to the Bayview, from Lands End to Little Hollywood. To further its mission, the Organization partners with more than 200 neighborhood groups to improve their local open space through physical and programming improvements, and maintains strong relationships with multiple government agencies.

Through an array of community-based projects, the Organization positively impacts thousands of people of all ages - youth, teenagers, adults and seniors - fostering volunteerism, and leadership skills that contribute to an active, engaged San Francisco. The Organization leverages its expertise in community engagement and project management to support neighborhood groups as they create new parks and open spaces, or activate park sites with volunteerism opportunities and programming. The Organization partners with San Francisco's Recreation and Park Department (RPD), Department of Planning, Office of Economic and Workforce Development (OEWD), Public Works, Port of San Francisco, City Administrator's Office, and the Mayor's Office, to support the citywide open space and park infrastructure that make San Francisco so unique.

The Organization is vulnerable to the inherent risks associated with revenue that is substantially dependent on public support and contributions. The continued growth and well-being of the Organization is contingent upon successful achievement of its long-term revenue goals.

The descriptions of the major programs of the Organization are summarized as follows:

Partners

The fiscal sponsorship program offered by the Organization, referred to as the Partner Program, empowers community members across the city to use the Organization's 501(c)(3) status to apply for grants and accept community donations while providing capacity building assistance to grow and maximize their impact. The aim of the Partner Program is to activate and transform parks and open spaces through community-oriented volunteer efforts utilizing innovative approaches to stewardship. Many Partners lead major renovations on city owned open spaces while others focus on small community events. The Partners include approximately 110 organizations ranging from all-volunteer community groups, such as the Ridge Lane Neighbors, Friends of Joe DiMaggio Park, and Northridge Community Garden, to highly professional groups with paid staff members such as Friends of Alemany Farm, Urban Sprouts, Sutro Stewards, Garden for the Environment, and City Guides. Support from the Organization Partner staff can include financial oversight, the ability to provide funds upfront for later grant reimbursement, project management expertise, and insurance coverage that groups need to complete their projects. The team's work often requires more than simple administrative assistance, and staff regularly make site visits, assist in budget revisions, and help with construction planning, while leveraging citywide relationships for creative problem solving. This work is often done in conjunction with city departments, and with other outside agencies, such as neighborhood associations.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

1. NATURE OF OPERATIONS (continued)

Partners (continued)

In March 2018, the Organization held the first annual Partner Conference, welcoming more than 100 individuals. The conference served the Organization's fiscally-sponsored Partners and broader community groups by providing them information and resources to support their efforts at improving and activating their local parks and public spaces. Attendees participated in break-out sessions covering best practices for community engagement and outreach, private and public fundraising, tools for planning and programming, and ways to conduct placemaking in meaningful and impactful ways.

The Parks Alliance Street Parks Program is an excellent example of the Organization's ongoing partnerships with community-based groups to implement neighborhood improvement projects, including those within high-risk communities. Every Street Parks project begins with a neglected parcel of land under the jurisdiction of Public Works, and motivated residents or a community group interested in fixing it up. Organization and Public Works staff schedule a site visit where they discuss the Street Parks process, and the assistance that the Organization and Public Works can offer. The Organization, in particular, provides in-kind materials, funding, and grant opportunities, and guidance on community outreach and engagement, project planning and site design, fundraising, and volunteer management. The Organization and Public Works also co-present free, practical workshops for Street Parks groups. The Organization also serves as the fiscal sponsor to Street Parks groups that pursue major grant funding. To date, the Organization has completed over 200 Street Parks projects since the program began in 2004.

Let'sPlaySF! is a partnership of the Organization and the RPD to ensure that all children in San Francisco have safe, accessible, imaginative places to play in their neighborhoods. This fundraising campaign supports the renovation of 13 playgrounds throughout San Francisco and benefits more than 20,000 of the city's school-aged children.

The Organization, RPD, and the Tennis Coalition SF have been working since March of 2016 to upgrade the legacy tennis courts in Golden Gate Park. Completed in 2021, the new tennis center includes 17 tennis courts, an expanded clubhouse, a garden and patio, and lighting to allow for 20,000 additional hours of annual play. The Tennis Coalition project was concluded during 2021. During 2021, the Organization, through its partnership with Tennis Coalition SF, recognized \$321,094 in revenue and incurred expenses of \$6,275,354 for the tennis center. The majority of expenses incurred during 2021 for the tennis center were covered by drawdowns on the line of credit (see Note 8).

Policy and Planning

The Organization tracks and researches planning that impacts parks citywide, such as the redevelopment of the Hunters Point Shipyard and Pier 70. The Organization attends key meetings, reviews and comments on documents such as Environmental Impact Reports, and plays a key role in community outreach to engage the public in these projects. In addition, the organization monitors and develops policy impacting parks, such as working with the Planning Department to assess and plan for parks and open space now and in the years to come.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

1. NATURE OF OPERATIONS (continued)

Policy and Planning (continued)

The Blue Greenway is a visionary plan for a 13-mile walking and biking trail that will connect new and existing waterfront parks along the southeastern shoreline of San Francisco, from Candlestick Point to AT&T Park. The project, supported by The Mayor's Office, RPD, and the Port of SF, strives to transform the waterfront into a green corridor by connecting, and developing, nearly 50 individual project sites along the shoreline for recreational activity and exploration. As many of the original projects are completing their construction phases, the Organization is now focused on how to best serve the needs of the adjacent communities, whose parks and open spaces have been historically underserved. The Blue Greenway is also a part of a larger project to connect more than 500 miles of green space throughout nine Bay Area Counties.

The Recreation and Open Space Element of the San Francisco General Plan (ROSE), last updated in 2014, encapsulates San Francisco's vision for providing beautiful, well maintained, accessible, safe, ecologically vibrant public spaces of all kinds throughout the city. The Organization is managing the current update process and is working with the Planning Department to convene a ROSE Implementation Action Team made up of stakeholders from the following agencies/organizations: Planning, Recreation and Parks, Public Works, the Port, MTA, OCII, Real Estate, OEWD, Dept. of the Environment, Dept. of Public Health, PUC, GGNRA, GGNPC, and SFUSD. The ROSE Implementation Project brings together agencies serving San Franciscans in order to share critical information, track and celebrate progress, identify new opportunities, and create innovative solutions.

Philanthropy

McLaren Fund: Bequests received by the Organization which are not designated for a specific purpose are added to a fund intended for park improvement projects, especially equipment and capital purchases as well as planning that supports those projects, and excludes routine operating expenses. Any allocations from the McLaren Fund must be approved by the Board of Directors.

Party for the Parks: The Organization's annual gala raises funds for the Organization operating support and specific RPD projects. The last two years have benefited the Let'sPlaySF! initiative.

Conservatory of Flowers

Through a memorandum of understanding with the RPD, the Organization is a fiscal sponsor of the Conservatory of Flowers (Conservatory or COF), a spectacular living museum of rare and beautiful tropical plants under glass. Opened in 1879, the wood and glass greenhouse is the oldest existing conservatory in North America, and houses 1,750 species of plants from more than 50 countries around the world. Over 150,000 visitors each year, including children, adults, and students of all ages, enjoy the Conservatory as a cultural and educational destination. To ensure availability to people of all backgrounds and economic means, the Conservatory provides free admission on the first Tuesday of each month.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

1. NATURE OF OPERATIONS (continued)

Conservatory of Flowers (continued)

Fiscal year 2019 saw a significant increase in activity as the Conservatory shifted its exhibit strategy from creating and programming two exhibits per year to create curated events and experiences aimed at attracting local residents. Examples of events ranged from Beer Gardens to Murder Mysteries to Sound Meditation sessions. The Conservatory also continued to attract attention to its facility with its light art installation, begun with the 50th Anniversary of the Summer of Love celebration which took place in June 2017.

Given the age of the Conservatory, there are considerable ongoing, annual maintenance costs in keeping the building and its systems operational. To address some major issues, including vent repair work, cleaning/painting and other smaller projects, the building is closed to visitors for a few days annually in January, traditionally the lowest attendance month.

The Conservatory receives donations of rare and unusual plants. One of those was a collection of hundreds of rare and unusual orchids from a private collection, the most significant gift in several years.

During fiscal year 2021, the Conservatory of Flowers earned \$689,688 in revenue and incurred \$912,329 in expenses. Net assets for the Conservatory of Flowers, which were in a deficit position, amounted to \$(1,048,842) at June 30, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or the portion of net assets held in perpetuity by donor-imposed stipulations. The income from contributions to be held in perpetuity is available to support the activities of the Organization as designated by the donor.

Cash and cash equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short-term (initial maturity dates of three months or less from the date of acquisition), highly liquid investments that are readily convertible to known amounts of cash.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

The Organization places its cash and temporary cash investments with high credit quality institutions. Periodically, such balances may be in excess of federally insured limits.

Accounts receivable

Accounts receivable consist primarily of amounts due from governmental entities under cost reimbursement agreements. The Organization records an allowance for doubtful collections based on a review of outstanding receivables, historical collection information, and existing economic conditions. Management believes the receivables at June 30, 2021 will be fully collected. Accordingly, no allowances for doubtful accounts has been provided.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the related barrier has been overcome or right of release/right of return no longer exists. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are not expected to be collected until after year-end are considered contributions receivable. Contributions receivable with due dates extending beyond one year are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions and the nature of the receivable. At June 30, 2021, there was no allowance for uncollectible contributions as management considered all amounts collectible.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue within net assets with donor restrictions, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenue within the net assets with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrance of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost-reimbursable grants of approximately \$4,651,000 that have not been recognized as of June 30, 2021 because qualifying expenditures have not yet been incurred. The Organization has elected a simultaneous release option to account for these grants and thus are recorded as revenue without donor restriction upon satisfaction of the barriers.

In-kind contributions and contributed services

Donated materials and equipment are recorded based on the estimated fair value at the date the contribution is made. Donated services are recognized as contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need be purchased if not provided by donation. In-kind contributions for the year ended June 30, 2021 totaled \$439,453 and was comprised of donated legal services.

Fundraising and special events

Fundraising and special events were limited during the year-ended June 30, 2021, due to the restrictions in place caused by the COVID-19 pandemic.

Investments

Investments are recorded at fair value. Securities traded on security exchanges, including mutual funds, common stocks, exchange traded-funds, and money market funds, are valued at closing market prices in active markets. Corporate bonds and government obligations are valued based upon the most recent bid quotation for identical or similar obligations provided by independent pricing services and from broker quotations. Investments received by donation are recorded at fair value at the date of donation. Dividend and interest income are accrued when earned.

Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consist of items held for resale and are valued at the lower of cost or market and are determined by the first in first out method. Inventory consists of Conservatory gift shop merchandise and books and totaled \$15,738 as of June 30, 2021.

Property and equipment

Property and equipment is recorded at cost of acquisition, or fair value if donated. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years, or for leasehold improvements, the lesser of the estimated useful life of the assets or the term of the lease. The Organization's policy is to capitalize all property and equipment with a minimum cost of \$1,000.

Projects completed by the Organization under fiscal sponsorship agreements are not owned by the Organization and therefore none of the property and equipment expenditures related to such projects are capitalized in the financial statements.

Any furniture/equipment purchased by the Conservatory would become the property of the San Francisco Recreation and Parks Department in the event that the agreement between the Organization and the city was terminated, and therefore all property and equipment, regardless of its dollar amount, are expensed.

Advertising costs

The production costs of advertising are expensed as incurred. During the year ended June 30, 2021, advertising expense totaled \$65,004.

Functional expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

Income tax status

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(b). Accordingly, no provision for income taxes is included in the accompanying financial statements. In addition, contributions to the Organization qualify for the charitable contribution deduction and the Organization is classified as an organization other than a private foundation under Section 509(a). Management believes the Organization has no uncertain tax positions as of June 30, 2021.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). The standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. In effect, entities are required to exercise further judgment and make more estimates prospectively. This may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. The Organization adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the full retrospective method.

The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial position, result of operations, or cash flows.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable, net consisted of the following:

Receivable in less than one year	\$ 1,389,824
Receivable in one to five years	<u>4,105,000</u>
	5,494,824
Less discounts to net present value	<u>(26,235)</u>
	<u><u>\$ 5,468,589</u></u>

4. NOTE RECEIVABLE

During fiscal year 2016, the Organization entered into an agreement with Literacy for Environmental Justice (LEJ), an organization with its own 501(c)(3) status, to provide funds for the purpose of securing a grant. Those funds were to be paid back to the Organization as the grantor released payments to LEJ. As of June 30, 2021, the balance due on the loan is \$37,000 and was paid back in full in November 2021.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

Money market funds	\$ 180
Certificates of deposit	889,900
Equity mutual funds	4,510,795
Corporate and multi-sector bonds	<u>3,158,630</u>
	<u>\$ 8,559,505</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ 180	\$ -	\$ -	\$ 180
Certificates of deposit	889,900	-	-	889,900
Equity mutual funds	4,510,795	-	-	4,510,795
Corporate and multi-sector bonds	<u>3,158,630</u>	<u>-</u>	<u>-</u>	<u>3,158,630</u>
	<u>\$ 8,559,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,559,505</u>

Investment income, net, consisted of the following:

Realized and unrealized gains on investments, net	\$ 1,140,047
Dividends and interest	97,063
Investment fees	<u>(28,430)</u>
	<u>\$ 1,208,680</u>

6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

Computer equipment	\$ 294,451
Furniture and fixtures	48,189
Leasehold improvements	<u>64,636</u>
	407,276
Less: accumulated depreciation	<u>(346,185)</u>
	<u>\$ 61,091</u>

Depreciation expense for the year ended June 30, 2021 was \$26,944.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

7. PAYCHECK PROTECTION PROGRAM

On April 15, 2020, the Organization received loan proceeds of \$1,045,900 from a promissory note issued by First Republic Bank under the federal Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, and is administered by the U.S. Small Business Administration ("SBA") with the intent of providing small businesses access to short-term cash flow assistance to help cover operating expenses and maintain their payroll levels. The term of the loan was two years and the annual interest rate was 1%. Payments of principal and interest were deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients may apply for and be granted forgiveness of all or a portion of the loans granted under the PPP.

On February 10, 2021 the Organization received loan proceeds of \$963,347 from a second promissory note issued by First Republic Bank under the Economic Aid to Hard-Hit Small Businesses, Non-profits, and Venues Act ("PPP2"). The term of the loan is five years and the annual interest rate is 1.00%. Payments of principal and interest are deferred up to the first ten months of the loan. Consistent with the terms of the first PPP loan, the Organization can apply for and can be granted forgiveness for all or a portion of the loan proceeds, based on the use of the loan proceeds. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent, and utility expenses, and the maintenance of workforce and compensation levels with certain limitations.

The Organization recognized the PPP loans as grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$689,657 as grant revenue for the year ended June 30, 2021 based on qualifying expenditures incurred under the loans during the year. On April 1, 2021, the Organization received notification from First Republic Bank that the SBA completed its review of the Organization's first PPP loan forgiveness application and all principal and interest under the first PPP loan in the amount of \$1,045,900 has been forgiven. The Organization had not applied for forgiveness of its second PPP loan as of June 30, 2021. The proceeds from the second PPP loan that had not been recognized as revenue as of June 30, 2021 is reported as a refundable advance liability on the statement of financial position.

8. LINE OF CREDIT

On November 19, 2019, the Organization entered into a loan agreement for a revolving line of credit with a maximum borrowing limit of \$5,000,000, maturing on January 10, 2025. The proceeds from the line of credit were used to finance construction of the Golden Gate Park tennis center (see Note 1). Interest will be charged on the unpaid outstanding principal balance at a rate equal to LIBOR, as defined by the agreement, plus 2.25%. The outstanding balance on the line of credit as of June 30, 2021 was \$3,991,598. The line of credit is secured by a multi-year pledge.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

9. NOTE PAYABLE

On September 22, 2020, the Organization received an Economic Disaster Injury Loan ("EIDL") from the SBA in the amount of \$150,000. The note bears interest at 2.75% from the loan issuance date and requires interest and principal payments of \$641 beginning 12 months from the date of the note. Payments will first be applied to interest and any remaining balance to reduce principal. All remaining principal and accrued interest becomes due and payable thirty years from the date of the note. The outstanding balance on the note totaled \$149,900 as of June 30, 2021.

The future maturities of the note payable are as follows:

<u>Year ending June 30,</u>	
2023	\$ 1,928
2024	3,662
2025	3,764
2026	3,868
Thereafter	<u>136,678</u>
	<u><u>\$ 149,900</u></u>

10. COMMITMENTS AND CONTINGENCIES

Operating leases

The Organization entered into a lease agreement for an office located at 1074 Folsom Street, with an effective date of July 1, 2019. The duration of the lease is five years, expiring August 31, 2024. Rent expense for the year ending June 30, 2021 was \$192,600.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2022	\$ 186,107
2023	176,902
2024	176,029
2025	<u>30,218</u>
	<u><u>\$ 569,256</u></u>

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specified purpose		
Park Partner Programs	\$	8,950,129
SF Recreation & Parks Department Programs		<u>1,238,190</u>
		10,188,319
To be held in perpetuity		<u>50,000</u>
	<u>\$</u>	<u>10,238,319</u>

Net assets with donor restrictions released from restriction during the year were as follows:

Restricted for a specified purpose		
Park Partner Programs	\$	10,442,753
Conservatory of Flowers		135,345
SF Recreation & Parks Department Programs		<u>76,759</u>
	<u>\$</u>	<u>10,654,857</u>

12. ENDOWMENT

The Organization's endowment consists of an endowment fund, established in December 2013, to provide a permanent source of support for the Organization. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment to be held in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, and (c) accumulations to the endowment in perpetuity 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 to be held in perpetuity shall be reported within net assets with donor restrictions until appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

12. ENDOWMENT (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Organization 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 purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the Organization attempts to achieve maximum returns while preserving capital and long-term growth. The endowment is invested in a portfolio that is managed by a broker and is expected to produce a rate of return of approximately 3.0% annually.

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 or UPMIFA requires the Organization to retain as a fund of perpetual duration. There was no such deficiencies as of June 30, 2021.

Spending policy

The Organization's spending policy for this endowment has been to abide by the wishes of the original donor. In accordance with this, earnings from the principal may be applied towards various programmatic and operational expenses of the Organization, at the discretion of the President of the Board and Chief Executive Officer.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

12. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 50,000	\$ 50,000
	\$ -	\$ 50,000	\$ 50,000

There were no changes in endowment net assets for the fiscal year ended June 30, 2021.

13. CONSERVATION EASEMENT

On December 20, 2013, a Conservation Easement was executed by, and between, Harrison Fremont Park LLC, and San Francisco Parks Alliance, that created a 24,000 square foot open-space area adjacent to the Rincon Green Apartments located at 333 Harrison Street. The purpose of the easement is to maintain the Park in its open-space condition, to provide significant daytime public use for quiet enjoyment and passive recreational pursuits; and to ensure the maintenance of appropriate amenities to support such uses. Harrison Fremont Park LLC retains all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operation, upkeep, and maintenance of the Park, including liability insurance coverage.

14. LIQUIDITY AND FUNDS AVAILABLE

The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, receivables and investments, on hand to meet 60 days of normal operating expenses (excluding partner related payments). As part of the Organization's liquidity management, it has been its practice to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in a variety of level 1 type investment accounts with high liquidity.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2021

14. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available or expected to be available within one year to fund general expenditures and other obligations as they become due:

Financial assets	
Cash and cash equivalents	\$ 2,945,474
Investments	8,559,505
Accounts receivable	1,835,558
Contributions receivable, net	5,468,589
Note receivable	<u>37,000</u>
	<u>18,846,126</u>
Less amounts unavailable for general expenditures within one year	
Donor-imposed restrictions for a specified purpose	(10,188,319)
Donor-imposed restrictions to be held in perpetuity	<u>(50,000)</u>
	<u>(10,238,319)</u>
	<u>\$ 8,607,807</u>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2022, the date which the financial statements were available to be issued. No events or transactions have occurred that require recognition or disclosure in the financial statements.