

San Francisco Parks Alliance

Financial Statements

June 30, 2020
(With Comparative Totals for 2019)



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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, 2020, 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, 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.



An independent firm
associated with Moore
Global Network Limited

Emphasis of Matter

As discussed in Note 13 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited San Francisco Parks Alliance's 2019 financial statements, and our report dated April 22, 2020 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

May 24, 2021

San Francisco Parks Alliance
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,370,216	\$ 3,691,312
Investments	7,864,999	13,486,262
Accounts receivable	2,589,240	1,065,850
Contributions receivable, net	5,433,834	10,803,431
Prepaid expenses and other assets	97,347	81,730
Note receivable	137,000	150,000
Inventory - Conservatory of Flowers	15,738	15,738
Property and equipment, net	87,409	113,943
Total assets	\$ 19,595,783	\$ 29,408,266
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,760,153	\$ 81,955
Accrued expenses	522,676	319,580
Deferred revenue	91,312	242,888
Refundable advance (Paycheck Protection Program)	26,712	-
Total liabilities	2,400,853	644,423
Net assets		
Without donor restrictions	2,593,796	2,613,017
With donor restrictions	14,601,134	26,150,826
Total net assets	17,194,930	28,763,843
Total liabilities and net assets	\$ 19,595,783	\$ 29,408,266

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

San Francisco Parks Alliance
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor <u>Restrictions</u>	With Donor Restrictions	2020 <u>Total</u>	2019 <u>Total</u>
Revenues, gains, and other support				
Grants and contributions	\$ 7,703,842	\$ 6,411,825	\$ 14,115,667	\$ 18,851,967
Paycheck Protection Program grant revenue	1,019,188	-	1,019,188	-
Admissions and sales	768,629	-	768,629	1,192,024
Membership fees	176,624	-	176,624	100,076
Administrative fees	1,077,082	-	1,077,082	493,642
Program service fees	213,686	-	213,686	473,550
Fundraising and special events	1,310,644	-	1,310,644	1,550,981
In-kind contributions	280,890	-	280,890	297,417
Investment income, net	378,763	2,445	381,208	431,154
Rental income	319,097	-	319,097	391,677
Miscellaneous	13,237	-	13,237	-
Net assets released from restriction	<u>17,963,962</u>	<u>(17,963,962)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>31,225,644</u>	<u>(11,549,692)</u>	<u>19,675,952</u>	<u>23,782,488</u>
Functional expenses				
Program services				
Park Partner programs	23,080,320	-	23,080,320	13,059,792
Conservatory of Flowers	<u>3,127,029</u>	<u>-</u>	<u>3,127,029</u>	<u>2,568,772</u>
Total program services	<u>26,207,349</u>	<u>-</u>	<u>26,207,349</u>	<u>15,628,564</u>
Support services				
Management and general	2,305,624	-	2,305,624	750,302
Fundraising	<u>2,731,892</u>	<u>-</u>	<u>2,731,892</u>	<u>1,137,140</u>
Total support services	<u>5,037,516</u>	<u>-</u>	<u>5,037,516</u>	<u>1,887,442</u>
Total functional expenses	<u>31,244,865</u>	<u>-</u>	<u>31,244,865</u>	<u>17,516,006</u>
Change in net assets	<u>(19,221)</u>	<u>(11,549,692)</u>	<u>(11,568,913)</u>	<u>6,266,482</u>
Net assets, beginning of year	<u>2,613,017</u>	<u>26,150,826</u>	<u>28,763,843</u>	<u>22,497,361</u>
Net assets, end of year	<u>\$ 2,593,796</u>	<u>\$ 14,601,134</u>	<u>\$ 17,194,930</u>	<u>\$ 28,763,843</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, 2020
(With Comparative Totals for 2019)

	Program Services			Support Services			2020 Total	2019 Total
	Park Partner Programs	Conservatory of Flowers	Total Program Services	Management and General	Fundraising	Total Support Services		
Personnel expenses	\$ 3,975,951	\$ 1,388,639	\$ 5,364,590	\$ 882,398	\$ 536,470	\$ 1,418,868	\$ 6,783,458	\$ 4,348,033
Outside services	259,971	271,422	531,393	1,154	598,632	599,786	1,131,179	540,018
Program contractors	13,818,072	788,676	14,606,748	72,344	502,164	574,508	15,181,256	3,335,162
Program supplies	742,932	110,064	852,996	7,800	64,349	72,149	925,145	2,086,988
Occupancy	44,403	15,614	60,017	84,646	14,383	99,029	159,046	156,599
Legal and professional fees	1,596,616	51,099	1,647,715	852,964	749,286	1,602,250	3,249,965	1,947,669
Administrative fees	1,077,130	-	1,077,130	-	-	-	1,077,130	432,372
Contributions	1,283,829	-	1,283,829	-	-	-	1,283,829	3,696,401
Advertising	-	130,249	130,249	3,189	162,243	165,432	295,681	85,076
Bank charges and processing fees	30,779	29,661	60,440	75,143	9,610	84,753	145,193	84,808
Depreciation	787	17,577	18,364	20,383	534	20,917	39,281	21,633
Books, subscriptions, periodicals	6,292	26,329	32,621	5,738	406	6,144	38,765	4,375
Furniture/equipment	2,021	123,074	125,095	5,026	913	5,939	131,034	42,983
Insurance	-	-	-	80,958	-	80,958	80,958	91,721
Interest expense	590	-	590	-	-	-	590	125
IT Services	89,042	48,633	137,675	80,626	51,547	132,173	269,848	99,912
Office supplies	15,338	10,795	26,133	41,146	3,514	44,660	70,793	70,024
Miscellaneous	40,824	69,284	110,108	31,171	4,143	35,314	145,422	240,318
Postage	31,051	1,754	32,805	1,594	1,923	3,517	36,322	30,655
Printing and publication	14,584	17,757	32,341	4,284	14,528	18,812	51,153	122,068
Taxes	-	-	-	1,907	-	1,907	1,907	580
Telephone and internet	5,830	1,304	7,134	19,527	757	20,284	27,418	21,271
Staff development and training	31,996	-	31,996	22,910	10,258	33,168	65,164	26,062
Travel	12,282	25,098	37,380	10,716	6,232	16,948	54,328	31,153
	<u>\$ 23,080,320</u>	<u>\$ 3,127,029</u>	<u>\$ 26,207,349</u>	<u>\$ 2,305,624</u>	<u>\$ 2,731,892</u>	<u>\$ 5,037,516</u>	<u>\$ 31,244,865</u>	<u>\$ 17,516,006</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, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (11,568,913)	\$ 6,266,482
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	39,281	21,633
Realized and unrealized gains on investments, net	(166,636)	(244,217)
Donated stock	-	(144,669)
Changes in operating assets and liabilities		
Accounts receivable	(1,523,390)	(78,977)
Contributions receivable, net	5,369,597	1,582,855
Prepaid expenses and other assets	(15,617)	179,354
Accounts payable	1,678,198	(802,242)
Accrued expenses	203,096	91,460
Deferred revenue	(151,576)	(41,632)
Refundable advance (Paycheck Protection Program)	26,712	-
Net cash provided by (used in) operating activities	(6,109,248)	6,830,047
Cash flows from investing activities		
Proceeds from sale of investments	12,272,168	6,438,970
Purchase of investments	(6,484,269)	(9,662,508)
Purchase of property and equipment	(12,747)	(116,358)
Principal payments on note receivable	13,000	172,276
Net cash provided by (used in) investing activities	5,788,152	(3,167,620)
Net increase (decrease) in cash	(321,096)	3,662,427
Cash and cash equivalents, beginning of year	3,691,312	28,885
Cash and cash equivalents, end of year	\$ 3,370,216	\$ 3,691,312

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

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2020

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, 2020

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. During 2020, the Organization, through its partnership with Tennis Coalition SF, recognized \$3,101,965 in revenue from grants and contributions and incurred expenses of \$12,408,882 for the tennis center.

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, 2020

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, 2020

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 of 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 2020, the Conservatory of Flowers earned \$2,057,935 in revenue and accumulated \$3,435,465 in expenses. Net assets for the Conservatory of Flowers amounted to \$(1,209,925) at June 30, 2020.

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.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made which clarifies the criteria for evaluating whether a transaction should be accounted for as contribution or as an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified retrospective method.

The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position, result of operations, or cash flows. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

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.

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, 2020 will be fully collected. Accordingly, no allowances for doubtful accounts has been provided.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and 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, 2020, 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.

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 incurrence 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 \$5,045,000 that have not been recognized as of June 30, 2020 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, 2020 was comprised of donated legal services.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 of Flowers gift shop merchandise and books and totaled \$15,738 as of June 30, 2020.

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.

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

The production costs of advertising are expensed as incurred. During the year ended June 30, 2020, advertising expense totaled \$295,681.

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, 2020.

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.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

Receivable in less than one year	\$ 2,333,795
Receivable in one to five years	<u>3,173,442</u>
	5,507,237
Less discounts to net present value	<u>(73,403)</u>
	<u><u>\$ 5,433,834</u></u>

San Francisco Parks Alliance
Notes to Financial Statements
June 30, 2020

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, 2020, the balance due on the loan is \$137,000 and is expected to be paid back on October 31, 2021 based on an agreed upon payment schedule.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

Money market funds	\$ 317,140
Certificates of deposit	877,896
Equity mutual funds	3,049,730
Fixed income mutual funds	3,068,779
U.S. Treasury note	<u>551,454</u>
	<u>\$ 7,864,999</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds	\$ 317,140	\$ -	\$ -	\$ 317,140
Certificates of deposit	877,896	-	-	877,896
Equity mutual funds	3,049,730	-	-	3,049,730
Fixed income mutual funds	3,068,779	-	-	3,068,779
U.S. Treasury note	<u>551,454</u>	-	-	<u>551,454</u>
	<u>\$ 7,864,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,864,999</u>

Investment income, net, consisted of the following:

Realized and unrealized gains	\$ 202,822
Dividends and interest	214,572
Investment fees	<u>(36,186)</u>
	<u>\$ 381,208</u>

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6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Computer equipment	\$ 294,451
Furniture and fixtures	46,694
Leasehold improvements	<u>64,636</u>
	405,781
Less: accumulated depreciation	<u>(318,372)</u>
	<u><u>\$ 87,409</u></u>

Depreciation expense for the year ended June 30, 2020 was \$39,281.

7. 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 are to be 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 Organization made no draws on the line of credit during 2020 and as of June 30, 2020 there was no outstanding balance.

8. 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, 2020 was \$126,483.

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

<u>Year ending June 30,</u>	
2021	\$ 175,492
2022	180,325
2023	176,902
2024	176,029
2025	<u>30,218</u>
	<u><u>\$ 738,966</u></u>

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9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specified purpose	
Park Partner Programs	\$ 13,588,707
SF Recreation & Parks Department Programs	<u>962,427</u>
	14,551,134
To be held in perpetuity	<u>50,000</u>
	<u><u>\$ 14,601,134</u></u>

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

Restricted for a specified purpose	
Park Partner Programs	\$ 17,098,495
SF Recreation & Parks Department Programs	710,785
Conservatory of Flowers	<u>154,682</u>
	<u><u>\$ 17,963,962</u></u>

10. 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 permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not 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.

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10. 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, 2020.

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.

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10. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 50,000	\$ 50,000
	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2019	\$ -	\$ 50,000	\$ 50,000
Investment income	-	2,445	2,445
Appropriation of net assets	<u>-</u>	<u>(2,445)</u>	<u>(2,445)</u>
Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

11. 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.

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12. 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 is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six 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. 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 loan 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 \$1,019,188 as grant revenue for the year ended June 30, 2020. On April 1, 2021, the Organization received notification from First Republic Bank that the SBA completed its review of the Organization's PPP forgiveness application and all principal and interest under the loan has been forgiven in full.

13. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Organization is headquartered. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations. As a qualifying 501(c)(3) organization, the Organization received a PPP loan through the CARES Act (see Note 12).

Impacts to the Organization's operations include disruptions and restrictions on employees' ability to work and the fluctuations in investment balances due to the effect of the pandemic on the financial markets. While the disruption from COVID-19 is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders and the ultimate financial impact. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate financial impact and duration cannot be reasonably estimated at this time.

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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.

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	\$ 3,370,216
Accounts receivable	2,589,240
Contributions receivable, net	5,433,834
Investments	<u>7,864,999</u>
	<u>19,258,289</u>
Less amounts unavailable for general expenditures within one year	
Donor-imposed restrictions for a specified purpose	(14,551,134)
Donor-imposed restrictions to be held in perpetuity	<u>(50,000)</u>
	<u>(14,601,134)</u>
	<u>\$ 4,657,155</u>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2021, the date which the financial statements were available to be issued. Other than as described below, no other events or transactions have occurred that require recognition or disclosure in the financial statements.

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.

On February 10, 2021 the Organization received loan proceeds of \$963,347 from a promissory note issued by First Republic Bank under the PPP established by the CARES Act. This represents the Organization's second loan under the PPP (see Note 12). The term of the loan is five years and the annual interest rate is 1.00%. Payments of principal and interest and 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.

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15. SUBSEQUENT EVENTS (continued)

As described in Note 12, on April 1, 2021 the Organization received notification that the SBA completed its review of the Organization's PPP forgiveness application for its first PPP loan and all principal and interest under the first loan has been forgiven in full.