

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

**FINANCIAL STATEMENTS
For the year ended
December 31, 2021**

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

For the year ended December 31, 2021

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**Maginnis
Knechtel & McIntyre LLP**
Certified Public Accountants and Consultants

300 West Colorado Boulevard
Pasadena, CA 91105-1824
(626) 449-3466
Fax (626) 577-9361

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Los Angeles Parks Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Parks Foundation as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Los Angeles Parks Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Los Angeles Parks Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Los Angeles Parks Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Los Angeles Parks Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the recent global COVID-19 pandemic has resulted in reduced economic activity and market changes. As the extent and duration of the future impact to the Foundation are uncertain, no adjustments were made to the financial statements. Our opinion is not modified with respect to this matter.



Pasadena, California
July 14, 2022

LOS ANGELES PARKS FOUNDATION

Statement of Financial Position

December 31, 2021

Assets

| | |
|---|----------------------------|
| Current assets | |
| Cash and cash equivalents (including board designated amount of \$29,078) | \$ 1,271,256 |
| Investments (including board designated amount of \$1,002,652) | 4,687,921 |
| Bench inventory | 3,736 |
| Prepaid expenses | <u>15,331</u> |
| Total current assets | 5,978,244 |
| Fixed assets, net | <u>64,569</u> |
| Total assets | <u><u>\$ 6,042,813</u></u> |

Liabilities and Net Assets

| | |
|---------------------------------------|----------------------------|
| Current liabilities | |
| Accounts payable and accrued expenses | \$ 303,615 |
| Paycheck Protection Program loan | <u>21,543</u> |
| Total current liabilities | 325,158 |
| Net assets: | |
| Without donor restrictions | |
| Board designated | 1,031,730 |
| Undesignated | <u>1,148,750</u> |
| | 2,180,480 |
| With donor restrictions | <u>3,537,175</u> |
| Total net assets | <u>5,717,655</u> |
| Total liabilities and net assets | <u><u>\$ 6,042,813</u></u> |

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

Statement of Activities

For the year ended December 31, 2021

| | Without donor restrictions | With donor restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| Change in net assets: | | | |
| Revenue: | | | |
| Contributions | \$ 154,858 | \$ 2,391,891 | \$ 2,546,749 |
| Fundraising | 146,076 | - | 146,076 |
| Investment income | 29,156 | - | 29,156 |
| Net realized and unrealized gain from investments | 102,305 | - | 102,305 |
| In-kind contribution | 4,301 | 16,099 | 20,400 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 2,990,860 | (2,990,860) | - |
| Total revenue | <u>3,427,556</u> | <u>(582,870)</u> | <u>2,844,686</u> |
| Expenses: | | | |
| Grants and program services | 2,691,516 | - | 2,691,516 |
| General and administration | 327,272 | - | 327,272 |
| Fundraising | 252,971 | - | 252,971 |
| Total expenses | <u>3,271,759</u> | <u>-</u> | <u>3,271,759</u> |
| Other changes in net assets | | | |
| Gain from forgiveness of PPP loan | 33,901 | - | 33,901 |
| Change in net assets | 189,698 | (582,870) | (393,172) |
| Net assets at beginning of year | <u>1,990,782</u> | <u>4,120,045</u> | <u>6,110,827</u> |
| Net assets at end of year | <u>\$ 2,180,480</u> | <u>\$ 3,537,175</u> | <u>\$ 5,717,655</u> |

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

| | Program services | General & administration | Fundraising | Total expenses |
|-----------------------------------|-----------------------------|---|--------------------|-----------------------|
| Expenses: | | | | |
| Audit Accounting & Tax Prep | \$ - | \$ 76,349 | \$ - | \$ 76,349 |
| Bank & CC Charges | - | 16,640 | - | 16,640 |
| Board Expense | - | 468 | - | 468 |
| Catering | 6,823 | 33 | 10,844 | 17,700 |
| Computer | 1,498 | 11,682 | 4,739 | 17,919 |
| Contract Services | 295,722 | 1,636 | 13,591 | 310,949 |
| Capital Construction | 1,764,477 | - | - | 1,764,477 |
| Capital Equipment & Supplies | 142,581 | 16 | 720 | 143,317 |
| Depreciation | (1) | 17,632 | - | 17,631 |
| Dues & Memberships | - | 1,150 | - | 1,150 |
| Equipment Rental & Maint. | 4,034 | - | 14,656 | 18,690 |
| Grants | 224,810 | 13,450 | - | 238,260 |
| Insurance | - | 22,286 | - | 22,286 |
| Interest | - | 573 | - | 573 |
| Legal Fee | 5,721 | - | - | 5,721 |
| Meetings & Conferences | 18 | 3,151 | - | 3,169 |
| Mileage, Parking & Auto Lease | 142 | 3,860 | 45 | 4,047 |
| Payroll Salaries & Wages | 135,272 | 95,163 | 174,622 | 405,057 |
| Payroll Service Charges | 1,287 | 1,376 | 2,364 | 5,027 |
| Payroll Taxes & Employee Benefits | 9,425 | 8,527 | 16,877 | 34,829 |
| Postage | 123 | 739 | - | 862 |
| Printing | 290 | 4,771 | 8,769 | 13,830 |
| Public Relations/Marketing | 61,569 | 22,879 | 2,701 | 87,149 |
| Rent & Utilities | 17,309 | 3,608 | 1,487 | 22,404 |
| Repairs & Maintenance | 13,349 | 4,320 | - | 17,669 |
| Supplies/Equipment | 3,937 | 4,350 | 1,494 | 9,781 |
| Tax Permits & Licenses | 3,130 | 830 | 62 | 4,022 |
| Telephone | - | 8,083 | - | 8,083 |
| Website | - | 3,700 | - | 3,700 |
| Total expense | \$ 2,691,516 | \$ 327,272 | \$ 252,971 | \$ 3,271,759 |

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION

Statement of Cash Flows

For the year ended December 31, 2021

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ (393,172) |
| Adjustments to reconcile net assets to net cash provided by operating activities: | |
| Depreciation | 17,631 |
| Net realized and unrealized gain from investments | (102,305) |
| (Gain) from PPP loan forgiveness | (33,902) |
| Changes in assets and liabilities: | |
| Grants and donations receivable | 1,056,757 |
| Bench inventory | 12,131 |
| Prepaid expenses | 102,299 |
| Accounts payable and accrued expenses | <u>219,646</u> |
| Net cash provided by operating activities | 879,085 |
| Cash flows from investing activities: | |
| Purchase of investments | (13,647,860) |
| Sale of investments | <u>13,643,206</u> |
| Net cash (used) in investing activities | (4,654) |
| Cash flows from financing activities: | |
| Repayment of Paycheck Protection Program loan | <u>(12,358)</u> |
| Net cash (used) in financing activities | <u>(12,358)</u> |
| Net increase in cash | 862,073 |
| Cash and cash equivalents, beginning of year | <u>409,183</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 1,271,256</u></u> |

See accompanying notes to financial statements.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1 Organization and purposes

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

2 Summary of significant accounting policies

Basis of accounting

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

Basis of preparation

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

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

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

Contribution revenue

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

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

Contributed services and in-kind contribution

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A significant amount of time was volunteered by community leaders towards the overall activities of the Los Angeles Parks Foundation which are not included in the accompanying financial statements as they do not meet the criteria described above.

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

Cash and cash equivalents

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

Investments

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

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments in this category include less liquid and restricted equity securities.

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments in this category may include securities of private companies.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

Grants and donation receivable

Grants and donation receivable represents commitments made to the Foundation for specific park projects and are classified as net assets with donor restrictions.

Concentration of credit risk

Cash and investments are held at Merrill Lynch. Under the Merrill Lynch Bank Deposit Program, cash balances are insured by the FDIC up to \$250,000 per customer. Additionally, client accounts are protected by the SIPC up to a maximum of \$500,000 per client for securities, inclusive of up to \$250,000 per client for cash. As of December 31, 2021, the balance held at Merrill Lynch exceeded the FDIC and SIPC insured limits. The Foundation believes it is not exposed to any significant credit risk on its cash and investment balances.

Fixed assets

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

Use of estimates

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

Expense allocation

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

Expenses that can be specifically identified with a particular program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management. Accordingly, payroll expenses are allocated based on personnel function, time and effort.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 Summary of significant accounting policies, continued

Income taxes

The Los Angeles Parks Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. United States federal and state jurisdictions in which the Foundation files tax returns have statutes of limitations that generally range from three to four years. No open tax returns are currently under examination in the U.S. federal or state jurisdictions.

Date of management's review

Management has evaluated subsequent events through July 14, 2022, the date the financial statements were available to be issued.

3 Investments and fair value measurement

Investments consist of certificates of deposit (CD), mutual funds and equities. The Foundation diversified its investments in CDs to several FDIC insured financial institutions to ensure each CD is at or below current \$250,000 FDIC insurance limit. At December 31, 2021, the fair market value of the investments was \$4,687,921, which was \$213,930 more than the cost.

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

| | Cost | Market | Level I | Level II | Fair Value Total |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Certificates of deposit | \$ 3,686,000 | \$ 3,685,269 | \$ - | \$ 3,685,269 | \$ 3,685,269 |
| Equities | 476,259 | 682,757 | 682,757 | - | 682,757 |
| Mutual funds | 311,732 | 319,895 | 319,895 | - | 319,895 |
| Total Investments | <u>\$ 4,473,991</u> | <u>\$ 4,687,921</u> | <u>\$ 1,002,652</u> | <u>\$ 3,685,269</u> | <u>\$ 4,687,921</u> |

The return on these investments for the year ended December 31, 2021 is as follows:

| | |
|------------------------------------|-------------------|
| Total realized and unrealized gain | \$ 102,305 |
| Interest and dividend income | 29,156 |
| Fees | <u>(11,783)</u> |
| Total investments return | <u>\$ 119,678</u> |

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

4 Fixed assets

The following is a summary of fixed assets as of December 31, 2021:

| | |
|-------------------------------|------------------|
| Furniture and equipment | \$ 33,128 |
| Website development costs | 45,800 |
| Leasehold improvements | <u>153,278</u> |
| | 232,206 |
| Less accumulated depreciation | <u>(167,637)</u> |
| Total | <u>\$ 64,569</u> |

Depreciation expense was \$17,631 for the year ended December 31, 2021.

5 Paycheck Protection Program loan

On May 5, 2020, the Foundation was granted a loan in the amount of \$67,803, pursuant to the Paycheck Protection Program (PPP) under the CARES Act. On September 8, 2021, \$33,902 was forgiven by The Small Business Administration. The remaining balance of the loan matures on May 7, 2022, bears interest at a rate of 1% per year, and is payable monthly starting in October 7, 2021. The loan was paid in full in May 2022.

6 Board designated endowment

The Board designated funds represent assets set aside by Board action. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor-restrictions – Board designated. The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation with acceptable levels of risk.

Endowment assets are invested in a diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 4% plus the rate of inflation annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

6 Board designated endowment, continued

The Foundation's Board of Directors established the Endowment Funds in 2012 with a clear intention, affirmed by its policy, that unless required for emergency purposes to maintain the Foundation's solvency, the Endowment Funds would not be appropriated for expenditures. For the year ended December 31, 2021, the designated endowment funds include mutual funds and equities. The balance increased from \$913,176 to \$1,031,730 by earning interest income of \$27,121, net of fees of \$11,783 and realized and unrealized gains of \$103,216.

7 Net assets with donor restrictions

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

| | |
|---|--------------------|
| Adopt a Park | \$ 230,117 |
| Bench Program | 12,384 |
| Friends of the Park | 192,363 |
| Park Events (formerly Fundraising Events) | 557,033 |
| Griffith Park Urban Environment Center | 607 |
| Clipper Courts | - |
| Special Projects | 2,465,501 |
| Small Projects | <u>79,170</u> |
| Total net assets with donor restrictions | <u>\$3,537,175</u> |

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

| | |
|---|--------------------|
| Adopt a Park | \$ 120,841 |
| Bench Program | 28,558 |
| Friends of the Park | 38,396 |
| Park Events (formerly Fundraising Events) | 28,710 |
| Griffith Park Urban Environment Center | 72,092 |
| Clipper Courts | 752,954 |
| Special Projects | 1,930,263 |
| Small Projects | <u>19,046</u> |
| Total net assets released from donor restrictions | <u>\$2,990,860</u> |

LOS ANGELES PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

8 Liquidity and availability of net assets

The Foundation has \$5,959,177 of financial assets consisting of cash and cash equivalents of \$1,271,256 and investments of \$4,687,921 available as of the financial position date. Included in the above amounts is \$3,537,175 in donor restricted net assets and \$1,031,730 in net assets designated by the board. For the year ended December 31, 2021, \$1,390,275 is available to be used within one year of the financial position date to meet cash needs for general expenditures.

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

9 COVID-19 update

Since March 2020, there has been a global pandemic due to an outbreak of a novel coronavirus (COVID-19) which has resulted in reduced economic activity and market changes. All park recreation centers were closed for recreation purposes from March 2020 to July 2021 due to COVID. The Foundation were unable to host fundraising event or activities to raise fund through conventional method. Management continues to monitor the impact that the COVID-19 pandemic is having on the Foundation and the industry in which the Foundation operates. However, given the speed and frequency of continuously evolving developments with respect to this pandemic, the Foundation cannot reasonably estimate the magnitude of the impact to its results of operations.