

SAN FRANCISCO PARKS ALLIANCE

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014**
IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**SAN FRANCISCO PARKS ALLIANCE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014**

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IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

388 Market Street, Suite 888
San Francisco, California 94111

Tel (415) 896-5551
Fax (415) 896-0584

INDEPENDENT AUDITOR'S REPORT

Board of Directors
SAN FRANCISCO PARKS ALLIANCE
San Francisco, California

Report on Financial Statements

We have audited the accompanying financial statements of San Francisco Parks Alliance, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 SFPA'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 SFPA'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

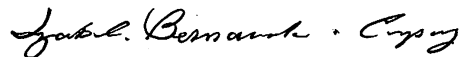
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Parks Alliance as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of San Francisco Parks Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Francisco Parks Alliance's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the San Francisco Parks Alliance's 2014 financial statements, and our report dated October 10, 2014, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California
October 12, 2015

SAN FRANCISCO PARKS ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014

ASSETS	2015	2014
Cash and cash equivalents	\$ 6,432,959	\$ 6,421,452
Accounts receivable	295,259	52,114
Pledges receivable	0	15,353
Prepaid expenses	112,082	128,401
Inventory - Conservatory of Flowers	26,426	17,981
Investments	13,320,923	6,712,754
Property and equipment - net	<u>48,493</u>	<u>40,039</u>
TOTAL ASSETS	\$ <u>20,236,142</u>	\$ <u>13,388,094</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 506,403	\$ 595,285
Deferred revenue	<u>269,955</u>	<u>227,951</u>
TOTAL LIABILITIES	776,358	823,236
 NET ASSETS		
Unrestricted		
Designated by the board for specific purposes	1,670,461	1,294,077
Designated for Conservatory of Flowers operations	473,153	375,862
Undesignated	<u>788,162</u>	<u>662,146</u>
Total unrestricted net assets	2,931,776	2,332,085
Temporarily Restricted	16,478,008	10,182,773
Permanently Restricted	<u>50,000</u>	<u>50,000</u>
TOTAL NET ASSETS	<u>19,459,784</u>	<u>12,564,858</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>20,236,142</u>	 \$ <u>13,388,094</u>

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

SAN FRANCISCO PARKS ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
SUPPORT AND REVENUE:					
Contributions	\$ 823,470	\$ 16,243,454	\$ 0	\$ 17,066,924	\$ 10,783,314
Admissions and sales - Conservatory of Flowers	1,026,026	0	0	1,026,026	958,434
Memberships	51,215	0	0	51,215	93,090
Administrative fees	762,675	0	0	762,675	504,617
Program fees	432,687	0	0	432,687	299,424
Revenue from special events	633,233	0	0	633,233	655,001
In-kind donations	145,458	0	0	145,458	132,515
Interest and investment income	189,363	3,506	0	192,869	154,740
Realized and unrealized gain (loss) from investments	(13,280)	(2,882)	0	(16,162)	406,937
Other income	249,134	0	0	249,134	192,569
Net assets released from restrictions	9,948,843	(9,948,843)	0	0	0
Total support and revenue	<u>14,248,824</u>	<u>6,295,235</u>	<u>0</u>	<u>20,544,059</u>	<u>14,180,641</u>
EXPENSES:					
Program services:					
General Programs	10,486,072	0	0	10,486,072	8,830,228
S. F. Recreation & Park Department Programs	765,059	0	0	765,059	702,709
Conservatory of Flowers	1,294,296	0	0	1,294,296	1,153,914
Supporting services:					
General and administrative	371,453	0	0	371,453	361,969
Development	732,253	0	0	732,253	666,169
Total expenses	<u>13,649,133</u>	<u>0</u>	<u>0</u>	<u>13,649,133</u>	<u>11,714,989</u>
INCREASE (DECREASE) IN NET ASSETS	599,691	6,295,235	0	6,894,926	2,465,652
NET ASSETS at beginning of year	<u>2,332,085</u>	<u>10,182,773</u>	<u>50,000</u>	<u>12,564,858</u>	<u>10,099,206</u>
NET ASSETS at end of year	<u>\$ 2,931,776</u>	<u>\$ 16,478,008</u>	<u>50,000</u>	<u>\$ 19,459,784</u>	<u>\$ 12,564,858</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, 2015 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services				Supporting Services		2015 Totals	2014 Totals
	General & Parks Partner Programs	S.F. Recreation & Parks Dept Programs	Conservatory of Flowers	Program Services Total	General and Administrative	Development		
Salaries and wages	\$ 1,329,427	\$ 0	\$ 463,829	\$ 1,793,256	\$ 184,785	\$ 273,403	\$ 2,251,444	\$ 2,215,689
Benefits and payroll taxes	262,629	0	105,016	367,645	31,988	49,831	449,464	405,254
Consultants	364,223	0	150,828	515,051	44,003	34,146	593,200	504,439
Contractors	6,357,304	346,334	97,583	6,801,221	157	230	6,801,608	6,050,460
Program material and supplies	902,342	389,966	84,370	1,376,678	23,094	35,044	1,434,816	907,705
Office expenses	102,235	0	76,527	178,762	42,328	55,164	276,254	262,326
Postage and shipping	8,649	0	4,781	13,430	1,589	14,598	29,617	33,482
Printing and publication	56,511	0	20,420	76,931	9,898	13,302	100,131	86,448
Travel, conferences and meetings	85,786	0	12,816	98,602	12,568	13,961	125,131	94,421
Insurance	30,368	0	0	30,368	6,845	9,893	47,106	56,317
Publicity	28,588	0	62,350	90,938	560	9,573	101,071	70,752
Outside services	6,207	0	66,131	72,338	197	197,736	270,271	210,805
Interest	3,372	0	0	3,372	0	0	3,372	1,828
Administrative fees	681,202	28,028	53,421	762,651	0	0	762,651	504,617
Credit card fees	23,271	0	22,633	45,904	278	9,166	55,348	44,754
Awards	215,875	0	0	215,875	0	0	215,875	150,104
Miscellaneous	13,533	731	73,591	87,855	5,832	6,721	100,408	92,800
Total expenses before depreciation	10,471,522	765,059	1,294,296	12,530,877	364,122	722,768	13,617,767	11,692,201
Depreciation	14,550	0	0	14,550	7,331	9,485	31,366	22,788
Total expenses	\$ 10,486,072	\$ 765,059	\$ 1,294,296	\$ 12,545,427	\$ 371,453	\$ 732,253	\$ 13,649,133	\$ 11,714,989

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

**SAN FRANCISCO PARKS ALLIANCE
STATEMENT OF CASH FLOWS
JUNE 30, 2015 AND 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2015</u>	<u>2014</u>
Change in net assets	\$ 6,894,926	\$ 2,465,652
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	31,366	22,788
Net realized and unrealized (gain) loss on investments	16,162	(406,937)
<i>Decrease (Increase) in assets:</i>		
Accounts receivable	(243,145)	138,576
Pledges receivable	15,353	(15,353)
Prepaid expenses	16,319	(95,271)
Inventory	(8,445)	902
<i>Increase (Decrease) in liabilities:</i>		
Accounts payable and accrued expenses	(88,882)	68,012
Deferred revenue	42,004	(63,147)
Net cash provided by operating activities	<u>6,675,658</u>	<u>2,115,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities	(6,624,331)	(167,426)
Purchase of property and equipment	(39,820)	(7,933)
Net cash used by investing activities	<u>(6,664,151)</u>	<u>(175,359)</u>
NET INCREASE IN CASH	11,507	1,939,863
CASH AT BEGINNING OF YEAR	<u>6,421,452</u>	<u>4,481,589</u>
CASH AT END OF YEAR	<u>\$ 6,432,959</u>	<u>\$ 6,421,452</u>
Supplemental data:		
Cash paid for interest	<u>\$ 0</u>	<u>\$ 0</u>
Noncash investing activities		
Contributed securities	<u>\$ 373,324</u>	<u>\$ 92,613</u>

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

SAN FRANCISCO PARKS ALLIANCE NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Note 1: ORGANIZATION AND NATURE OF ACTIVITIES

The Organization we now know as San Francisco Parks Alliance (SFPA) was formed in October of 2011 by combining San Francisco Parks Trust, Inc. (SFPT) and Neighborhood Parks Council (NPC), the two primary nonprofit organizations that served the needs of San Francisco parks and park users. The mission of the new, independent organization is to inspire and promote civic engagement and philanthropy that protects, sustains, and enriches San Francisco parks, recreation, and green open spaces. SFPA is dedicated to fulfill a vision of parks that acknowledges and supports their critical environmental functions while striving to ensure that they are accessible, beautiful, safe, clean, fun, and managed in a manner that makes them accountable, open, and welcoming to all. SFPA's Board of Directors meets on a regular basis to set policy and oversee the administrative functions of SFPA.

Through an array of community-based projects, SFPA positively impacts thousands of people of all ages – youth, teenagers, adults and seniors – fostering community building and leadership skills and creating a healthier population. SFPA programs also serve as models for future community-initiated recreation activities and park renovations. Through fiscal sponsorship, project management, and mentorship, neighborhood park groups gain from San Francisco Parks Alliance's vast experience as well as partnerships with both San Francisco's Recreation and Park Department and the San Francisco Mayor's Office. SFPA acts as the liaison with community groups and public offices, focusing on the goals and aspirations of community leaders and putting their highlighted priorities into action. SFPA's involvement in community projects plays a role in bridging the City's budget gap through targeted fundraising initiatives, creative programming and community partnerships maximizing San Francisco's public resources for all residents.

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

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

San Francisco Parks Alliance Core Programs

Contributions to San Francisco Parks Alliance are used to support three areas of programming within the core structure of SFPA: Stewardship, Policy and Planning, and Philanthropy. Each category consists of two or more individual programs that help SFPA fulfill its mission.

Stewardship

Playground Initiative is a partnership between SFPA and the Recreation and Parks Department (RPD). Through workdays, park events, and playground assessments, the program works towards ensuring that all children in San Francisco have access to a safe and engaging play space in their neighborhood.

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 1: ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Park group support is provided citywide to any park or neighborhood group, in SFPA's *Park Partners* fiscal sponsorship program. The Park Partners program provides operational support and capacity building for approximately 110 organizations ranging from all-volunteer community groups such as Joe DiMaggio Playground, Kids in Parks, Friends of Lincoln Park, GreenTrust SF, Friends of Alemany Farm, Residents for Noe Valley Town Square, San Francisco Tennis Coalition, Progress Park, SF Urban Riders, NOMADgardens, McLaren Bike Park Founders, Mission Community Market, and South Park Improvement Association, to nonprofit groups with small staffs such as Urban Sprouts, Garden for the Environment, and City Guides. Support from the SFPA stewardship team can include attending community meetings, representing SFPA on project teams, and working in close collaboration with the City to coordinate workdays, system-wide events and stewardship activities throughout San Francisco's 225 neighborhood parks and recreation centers. This work is done in conjunction with the RPD permit office, volunteer program office, and with outside agencies, such as neighborhood associations or local labor unions. The aim of the Park Partners program is to activate parks and open spaces through community-oriented volunteer efforts utilizing innovative approaches to stewardship. Many Partners focus on improving their neighborhood park or recreation center, others on arts and cultural programming, and some on greening and beautification. All of them benefit from SFPA's infrastructure and expertise, which enable them to make a significant contribution to improving recreation opportunities and parks, and to add green space throughout the city.

The *Street Parks* program is a partnership between SFPA and the San Francisco Public Works Department (Public Works) that enables and assists community members in greening Public Works owned parcels. The parcels can include unimproved rights-of-way, street medians, traffic triangles or circles, steps or sidewalks. The program coordinates scheduled workdays with the Clean and Green Crew, provides free educational workshops, services such as tool loans for work days and green waste pick up, consultation on topics, such as funding sources, building community support, sustainable garden design, and more. The Street Parks program currently includes 125 sites throughout San Francisco that range from native plant gardens like La Playa Park in the Outer Sunset to large multi-use parcels such as Progress Park in Dogpatch.

Policy & Planning

SFPA staff track and research planning that impacts parks citywide, such as the redevelopment of the Hunters Point Shipyard and projects such as Mission Rock. SFPA attends key meetings, reviews and comments on documents such as Environmental Impact Reports and provides input to City staff about community outreach. SFPA also monitors and develops policy impacting parks, such as working with the Planning Department to create a plan for improving pedestrian and bike safety and greening key connector streets leading to parks.

Policy Setting & Events that Connect Voters with City Hall

SFPA conducts research into the conditions of San Francisco's urban parks and their relationships with surrounding communities in order to improve policy related to the city's open space. Several times per year, SFPA coordinates special policy discussions with its coalition of park groups and key decision makers. These discussions include Policy Council meetings, an annual meeting with the Mayor, and local candidate forums.

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 1: ORGANIZATION AND NATURE OF ACTIVITIES (continued)

SFPA will also keep constituents informed on key policy issues by posting relevant information on the SFPA website.

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 AT&T Park to Candlestick Point. The project, supported by The Mayor's Office and several public agencies, strives to transform the southeastern waterfront by creating a green corridor for recreational activity and exploration. Nearly 50 individual project sites along the shoreline will eventually be connected. Roughly 75% of the sites have been approved for zoning, or are already in the implementation phase. 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.

San Francisco Parks Alliance's volunteer *Policy Council* is a broadly inclusive group of community leaders and park activists that includes three members from SFPA's Board of Directors, and two representatives from each of San Francisco's 11 supervisorial districts. This committee develops policy directions and acts as the link to the grass-roots park advocates, park groups, and general public by providing opportunities for facilitated discussions. The committee provides the SFPA Chief Executive Officer, staff, and Board of Directors grounded opinions on policy issues and advocacy priorities.

Philanthropy

Action Grant Awards: A small grant can often create a great deal of momentum for a stewardship group. SFPA awards grants (\$500 to \$5,000) to neighborhood groups for recreation centers, parks, and public open space. This money helps communities improve and activate their parks. Awards are made in the spring.

McLaren Fund: Bequests received by SFPA 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. Any allocations from the McLaren Fund must be approved by the Board of Directors.

Party for the Parks: An annual event that raises funds for SFPA operating support and specific RPD projects.

Conservatory of Flowers

Through a memorandum of understanding with the City's Recreation and Parks Department, San Francisco Parks Alliance manages the staff of the Conservatory of Flowers (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. Close to 200,000 visitors each year, including children, adults, and students of all ages, enjoy the Conservatory as a cultural and educational destination. To ensure that it is available to people of all backgrounds, and economic means, the Conservatory provides Free Admission Day on the first Tuesday of each month.

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 1: ORGANIZATION AND NATURE OF ACTIVITIES (continued)

More than 6,000 students, from kindergarten to college, benefit from docent and teacher led tours each year provided free of charge. Educational tours include the popular “Adaptation: Plant Survivors,” or “Jungle Tour,” as it is often referred. Tour guides for middle school and high school students are available on the COF website, to print or view while visiting. These DIY tours encourage students to explore the collection through the lens of Victorian culture. Students discover the inventions, trends and cultural leaders of Victorian times, including the agricultural practices and growing popularity of conservatories and other glass palaces across the globe. Local college horticultural programs, including City College, Merritt College and San Francisco State often bring classrooms to study the vast botanical collections the Conservatory offers.

The Special Exhibit Gallery hosted two exhibits of note. From November 13, 2014, to April 12, 2015, “*Aquascapes: The Art of Underwater Gardening*,” highlighted a popular international trend of creating underwater landscapes with plants, stones, and wood. The exhibit featured a dozen tanks ranging in size from four to six feet in length, set into the walls of a partially enclosed, cavern-like setting that gave the visitors the feeling of being down in a cenote. Nine of the tanks, three each from Africa, Asia, and South America, made use of native plants, rocks, hardwood, and fish, to evoke natural landscapes from these continents. Three additional tanks were created by local aquarium experts from San Francisco’s Ocean Treasures and highlighted the more abstract artistic possibilities of aquascape designs.

The other exhibit, “*Stranded! Tropical Island Survival*,” opened on May 8, 2015, and continued through the end of the fiscal year. Visitors “washed up” onto an uncharted tropical shore to learn the ins and outs of island survival. Strolling through a living jungle of life-saving plants, they discovered the best sources of building materials, food, and water, and saw examples of basic structures and tools, all created with a touch of castaway kitsch. Fun survival facts filled the gallery, including tips for climbing coconut trees.

The Conservatory’s exhibits and mission are supplemented by programming aimed at a broader audience. Through social, educational and cultural programming, such as performances, workshops, art classes and wine tastings, COF reaches beyond the typical patron to find new first time visitors with the longer term goal of converting them into repeat customers, members, and future sustainers. Specific examples of special programming from this past year include two evenings with singer/writer Jill Tracy, one of which explored fragrance – how botanicals are used to create perfumes; the second explored the making of woodwind instruments, and the various plants used to create unique sounds. Another example is Quiet Lightning, which returned for a second season of literary readings.

The building was closed for five days in January 2015, traditionally the lowest attendance week, to address some major repair issues that included adding electrical power to the gift shop and Special Exhibit Gallery, repairing ridge vents in Potted Plants, Special Exhibits, and the gift shop, and installation of new plant benches in the Aquatics Gallery. An internet connection added to the gift shop now allows for real time credit card processing and inventory control through Gateway, the point of sale system. The closure also allowed for additional cleaning and painting in the galleries.

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 1: ORGANIZATION AND NATURE OF ACTIVITIES (concluded)

A determination has been made regarding the appropriate replacement for the putty used in the installation of the 16,800 panes of glass in the Conservatory. Work will begin sometime in 2016, and will be funded by the City of San Francisco.

San Francisco Recreation and Park Development Projects (RPD) and Department of Public Works (DPW)

SFPA serves as fiscal sponsor and partner for a number of San Francisco Recreation and Parks Department (RPD) and Department of Public Works (DPW) projects that receive private philanthropy, such as the Parks Bench Maintenance and Clean Team, and campaigns to raise funds for targeted projects.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

SFPA uses the accrual basis of accounting. Revenue is recognized in the period earned and expenses are recognized when incurred.

Basis of Presentation

SFPA reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support or temporarily restricted support, depending on the absence or existence of the donor-imposed restrictions as applicable. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated professional services are recognized when received if such services (a) create or enhance non-financial assets or (b) require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The value of these contributed services is included in the accompanying financial statements because of the required specialized skills. Although SFPA significantly benefits from services provided by volunteers, the nature of these services does not meet criteria for recognition in the financial statements.

SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash & Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash in 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.

SFPA has funds on deposit with a single financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Accounts Receivable

SFPA 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, 2015 will be fully collected. Accordingly, no allowances for doubtful accounts were recorded.

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.

Investments

SFPA maintains accounts with several stock brokerage firms. SFPA invests in publicly traded securities consisting of mutual funds, corporate bonds, certificates of deposit, and equity securities which are carried at their estimated fair trade value based on quoted market prices. All debt securities and equity securities are valued in accordance with *Fair Value Measurements*. Public stocks, subject to considerable price fluctuations, are valued at the closing market price on the last day of the fiscal year. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur as part of unrestricted net assets. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year. Dividend and interest income are accrued when earned. Balances are secured by the Securities Investor Protection Corporation.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (that is when a stipulated time restriction ends or purpose restriction accomplished) in the reporting period in which the income and gains are recognized.

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment is stated at cost of acquisition, or fair value if donated. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets. SFPA's policy is to capitalize furniture and equipment purchases over \$1,000.

The projects completed by SFPA are not owned by SFPA; therefore, none of these expenditures is capitalized on these financial statements.

The useful lives of the assets are estimated as follows:

Office equipment and furniture	3 years
Computer equipment	3 to 5 years
Leasehold Improvements	5 years

Tax Status

SFPA 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 SFPA qualify for the charitable contribution deduction and SFPA is classified as an organization other than a private foundation under Section 509(a). Management believes SFPA has no uncertain tax positions as of June 30, 2015.

Functional Expenses Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities and statements 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.

In-kind Donations

SFPA records contributions of goods and services at their fair market value only if they create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and SFPA would have purchased the goods or services if they did not receive them as contributions.

Advertising Costs

The production costs of advertising are expensed as incurred. During the year ended June 30, 2015, advertising expense totaled \$93,323.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with San Francisco Parks Alliance's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 3: ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following as of June 30:

	2015	2014
Project reimbursements	\$ 194,384	\$ 51,424
Other	100,875	690
Total Accounts Receivable	<u>\$ 295,259</u>	<u>\$ 52,114</u>

Note 4: PLEDGES RECEIVABLE

Pledges receivable pertains to promises to give related to the ongoing operations and consists of the following at June 30:

	2015	2014
Parks Partners	\$ 0	\$ 8,998
City Guides	0	5,201
Other	0	1,154
Total Pledges Receivable	<u>\$ 0</u>	<u>\$ 15,353</u>

Note 5: INVENTORY – CONSERVATORY OF FLOWERS

The inventory consisted of the following amounts, as of June 30:

	2015	2014
Gift shop merchandise and books	\$ 26,426	\$ 17,981

Note 6: LONG-TERM INVESTMENTS

Investments, which are stated at fair market value using quoted prices in active markets for identical assets (all Level 1 measurements), consist of the following at June 30, 2015:

	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Mutual Funds	\$ 3,013,234	\$ 3,256,727	\$ 243,493
Stocks	921,574	1,220,293	298,719
Non U.S. securities	420,874	420,433	(441)
Certificates of deposit	6,971,250	7,026,729	55,479
Government obligations	174,343	178,661	4,318
Corporate obligations	1,252,837	1,218,080	(34,757)
Total	<u>\$ 12,754,112</u>	<u>\$ 13,320,923</u>	<u>\$ 566,811</u>

Investment return for the year ended June 30, 2015 is summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 189,363	\$ 3,506	\$ 192,869
Net realized and unrealized gain (loss)	(13,280)	(2,882)	(16,162)
Net investment returns	<u>\$ 176,083</u>	<u>\$ 624</u>	<u>\$ 176,707</u>

SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Note 6: LONG-TERM INVESTMENTS (continued)

Fair values for investments are determined by reference to quoted market prices and other relevant information gathered by market transactions.

Investments, which are stated at fair market value using quoted prices in active markets for identical assets (all Level 1 measurements), consist of the following at June 30, 2014:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	\$ 2,728,960	\$ 3,054,547	\$ 325,587
Stocks	779,502	1,054,830	275,328
Non U.S. securities	308,011	327,707	19,696
Certificates of deposit	969,275	1,018,877	49,602
Government obligations	141,544	149,303	7,759
Corporate obligations	<u>1,129,312</u>	<u>1,107,490</u>	<u>(21,822)</u>
Total	<u>\$ 6,056,604</u>	<u>\$ 6,712,754</u>	<u>\$ 656,150</u>

Investment return for the year ended June 30, 2014 is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 151,684	\$ 3,056	\$ 154,740
Net realized and unrealized gain (loss)	409,679	(2,742)	406,937
Net investment returns	<u>\$ 561,363</u>	<u>\$ 314</u>	<u>\$ 561,677</u>

Note 7: PROPERTY AND EQUIPMENT

Depreciation expense for the year ended June 30, 2015, and 2014 were \$31,366 and \$22,788 respectively. The original cost and accumulated depreciation for the property and equipment were as follows, as of June 30:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 219,309	\$ 212,566
Furniture and fixtures	10,019	8,551
Leasehold Improvements	<u>33,359</u>	<u>1,750</u>
Total	262,687	222,867
Less: accumulated depreciation	<u>(214,194)</u>	<u>(182,828)</u>
Property and equipment, net	<u>\$ 48,493</u>	<u>\$ 40,039</u>

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 8: CONSERVATORY OF FLOWERS PROPERTY AND EQUIPMENT

Since any furniture/equipment purchased by the Conservatory would become the property of the San Francisco Recreation and Parks Department in the event that the MOU between SFPA and the City was terminated, all furniture/equipment, regardless of its dollar amount, is expensed.

In 2015, the Conservatory spent a total of \$99,823 on the following:

- \$20,281 for repairs to the roof of Greenhouse 4
- \$7,875 for parts and repairs to the QCOM environmental control system
- \$1,747 for computer equipment
- \$15,000 to whitewash 16,800 panes of glass
- \$3,490 to clean and repair artisan made glass gallery signage (8)
- \$9,931 for emergency repairs to the boilers
- \$9,602 for rolling shutters to secure the windows of the ticket and snack kiosks
- \$31,897 for a certificate of appropriateness and Orchid House entitlements.

In 2014, the Conservatory spent \$37,598 to improve its infrastructure, \$34,175 to renew and upgrade both roof vents in the Highland Greenhouse, and the roof vent of Greenhouse #3, and \$3,423 for parts used to operate the climate control systems in all five galleries.

Note 9: BOARD DESIGNATED NET ASSETS

Unrestricted net assets include the following amounts that have been specifically designated by the Board of Directors for the following purposes, as of June 30:

	2015	2014
McLaren Fund – long term projects	\$ 1,631,511	\$ 1,248,732
Visibility Campaign	22,432	23,715
Park Partners Action Grant Awards (formerly, Innovator Awards)	16,518	21,630
Total	\$ 1,670,461	\$ 1,294,077

Note 10: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the year ended June 30, 2015 is summarized as follows:

	2015			
	June 30, 2014	Contributions	Releases From Restrictions	June 30, 2015
Park Partners Programs S.F. Recreation & Parks Dept. Programs	\$ 9,682,114	\$ 15,337,252	\$ (9,125,172)	\$ 15,894,194
Conservatory of Flowers	497,346	851,526	(765,058)	583,814
	3,313	55,300	(58,613)	0
Total	\$ 10,182,773	\$ 16,244,078	\$ (9,948,843)	\$ 16,478,008

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 10: TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets for the year ended June 30, 2014 is summarized as follows:

	2014			
	June 30, 2013	Contributions	Releases From Restrictions	June 30, 2014
Park Partners Programs	\$ 7,781,549	\$ 9,717,565	\$ (7,817,000)	\$ 9,682,114
S.F. Recreation & Parks Dept. Programs	491,747	708,308	(702,709)	497,346
Conservatory of Flowers	1,501	10,000	(8,188)	3,313
Total	\$ 8,274,797	\$ 10,435,873	\$ (8,527,897)	\$ 10,182,773

Note 11: ENDOWMENT FUND

San Francisco Parks Alliance maintains an Endowment fund, established in December 2013, to provide a permanent source of support for SFPA. As required by general accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existed or absence of donor-imposed restrictions.

The Board of Directors of San Francisco Parks Alliance has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair market value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, San Francisco Parks Alliance classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the 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. In accordance with SPMIFA, San Francisco Parks Alliance 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 purpose of the donor-restricted endowment funds, (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 San Francisco Parks Alliance, and (7) San Francisco Parks Alliance investment policies.

Investment Return Objectives, Risk Parameters, and Strategies. San Francisco Parks Alliance has adopted investment and spending policies approved by the Board of Directors for endowment and all other assets, that attempt 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.

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 11: ENDOWMENT FUND (continued)

Spending Policy. San Francisco Parks Alliance'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 SFPA, at the discretion of the President and CEO.

Endowment Net Asset Composition as of June 30, 2015, is as follows:

	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ 50,000	\$ 50,000

Endowment Net Asset Composition as of June 30, 2014, is as follows:

	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ 50,000	\$ 50,000

Note 12: LEASES

SFPA leases their office facilities at 1663 Mission Street, Suite 320, beginning October 2014, for \$9,504 per month. The duration of the lease is five (5) years with an option to renew for another five (5) years. Previously, SFPA was at 451 Hayes Street, 2nd Floor, on a month to month lease at \$4,987.50 per month.

<u>Year ending June 30:</u>	
2016	\$ 131,865
2017	135,737
2018	139,637
2019	143,550
July – Oct 2019 (end of lease)	11,990
Total	<u>\$ 562,779</u>

**SAN FRANCISCO PARKS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

Note 13: IN-KIND DONATIONS

During the year ended June 30, 2015, SFPA recorded in-kind donations for legal services of \$98,021, and \$47,437 in goods and services for the May 2015 Conservatory of Flowers GALA. Accordingly, in-kind expenses are recognized to the extent of in-kind donations.

During the year ended June 30, 2014, SFPA recorded in-kind donations for legal services of \$104,809, and \$27,706 in goods and services for the April 2014 Conservatory of Flowers GALA.

Note 14: SUBSEQUENT EVENTS

SFPA has evaluated all subsequent events through October 12, 2015, the date which the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
San Francisco Parks Alliance
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Francisco Parks Alliance (SFPA), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SFPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SFPA's internal control. Accordingly, we do not express an opinion on the effectiveness of SFPA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SFPA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Francisco, California

October 12, 2015