

**SAN FRANCISCO PARKS ALLIANCE**

---

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2017  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016**  
**IZABAL, BERNACIAK & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**SAN FRANCISCO PARKS ALLIANCE  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016**

**TABLE OF CONTENTS**

<b>Financial Statements</b>	<b>Page</b>
Independent Auditor's Report .....	1-2
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-18
 <b>Supplementary Information</b>	
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 <i>Government Auditing Standards</i> .....	19-20

**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, 2017, 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, 2017, 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 December 5, 2017, 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 2016 financial statements, and our report dated October 28, 2016, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it was derived.

*Jacob Bernhardt & Pappas*  
San Francisco, California  
December 5, 2017

**SAN FRANCISCO PARKS ALLIANCE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 1,872,139	\$ 1,244,256
Accounts receivable	53,693	168,545
Prepaid expenses	125,408	120,642
Inventory - Conservatory of Flowers	33,830	14,604
Investments	9,753,416	12,292,934
Property and equipment - net	<u>21,531</u>	<u>30,853</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>11,860,017</u></b>	<b>\$ <u>13,871,834</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 995,272	\$ 560,913
Deferred revenue	<u>294,722</u>	<u>241,907</u>
<b>TOTAL LIABILITIES</b>	<b>1,289,994</b>	<b>802,820</b>
 <b>NET ASSETS</b>		
Unrestricted		
Designated by the board for specific purposes	1,427,313	1,478,840
Designated for Conservatory of Flowers operations	216,314	405,533
Undesignated	<u>2,199,158</u>	<u>418,691</u>
Total unrestricted net assets	3,842,785	2,303,064
Temporarily Restricted	6,677,238	10,715,950
Permanently Restricted	<u>50,000</u>	<u>50,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>10,570,023</u></b>	<b><u>13,069,014</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ <u>11,860,017</u></b>	 <b>\$ <u>13,871,834</u></b>

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

**SAN FRANCISCO PARKS ALLIANCE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
<b>SUPPORT AND REVENUE:</b>					
Contributions	\$ 2,347,266	\$ 6,973,961	\$ 0	\$ 9,321,227	\$ 6,145,362
Admissions and sales - Conservatory of Flowers	1,168,579	0	0	1,168,579	941,693
Memberships	14,597	0	0	14,597	57,424
Administrative Fees	354,466	0	0	354,466	318,878
Program fees	374,102	0	0	374,102	408,909
Revenue from special events	706,465	0	0	706,465	990,221
In-kind donations	266,500	0	0	266,500	229,314
Interest and investment income	161,670	2,774	0	164,444	226,155
Realized and unrealized gain (loss) from investments	293,989	(2,277)	0	291,712	10,986
Other income	247,672	0	0	247,672	300,339
Net assets released from restrictions	11,013,170	(11,013,170)	0	0	0
<b>Total support and revenue</b>	<u>16,948,476</u>	<u>(4,038,712)</u>	<u>0</u>	<u>12,909,764</u>	<u>9,629,281</u>
<b>EXPENSES:</b>					
Program services:					
General Programs & Park Parnter Programs	11,634,292	0	0	11,634,292	12,337,139
S. F. Recreation & Park Department Programs	549,008	0	0	549,008	890,940
Conservatory of Flowers	1,903,549	0	0	1,903,549	1,541,841
Supporting services:					
General and administrative	425,627	0	0	425,627	417,056
Development	896,279	0	0	896,279	833,075
<b>Total expenses</b>	<u>15,408,755</u>	<u>0</u>	<u>0</u>	<u>15,408,755</u>	<u>16,020,051</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	1,539,721	(4,038,712)	0	(2,498,991)	(6,390,770)
NET ASSETS at beginning of year	<u>2,303,064</u>	<u>10,715,950</u>	<u>50,000</u>	<u>13,069,014</u>	<u>19,459,784</u>
<b>NET ASSETS at end of year</b>	<u>\$ 3,842,785</u>	<u>\$ 6,677,238</u>	<u>50,000</u>	<u>\$ 10,570,023</u>	<u>\$ 13,069,014</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, 2017 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services				Supporting Services		2017 Totals	2016 Totals
	General & Parks Partner Programs	S.F. Recreation & Parks Dept Programs	Conservatory of Flowers	Program Services Total	General and Administrative	Development		
Salaries and wages	\$ 1,074,618	\$ 0	\$ 653,422	\$ 1,728,040	\$ 194,048	\$ 285,951	\$ 2,208,039	\$ 2,216,788
Benefits and payroll taxes	191,314	0	115,886	307,200	36,179	63,065	406,444	456,788
Consultants	754,112	2,663	155,631	912,406	119,155	144,058	1,175,619	857,572
Contractors	7,248,576	234,922	382,541	7,866,039	0	8,771	7,874,810	7,190,891
Program material and supplies	627,855	249,827	85,571	963,253	36	491	963,780	1,336,281
Office expenses	93,250	0	112,231	205,481	46,057	79,039	330,577	307,288
Postage and shipping	7,215	0	2,976	10,191	1,252	12,297	23,740	21,892
Printing and publication	36,226	0	21,385	57,611	5,941	16,367	79,919	84,949
Travel, conferences and meetings	51,034	0	21,114	72,148	9,458	6,231	87,837	146,654
Insurance	26,241	0	0	26,241	7,841	12,346	46,428	59,711
Publicity	3,165	0	60,707	63,872	579	171	64,622	68,953
Outside services	10,880	0	86,482	97,362	417	247,402	345,181	347,224
Interest	7,410	0	0	7,410	0	0	7,410	4,170
Administrative fees	259,167	8,262	69,788	337,217	0	0	337,217	318,705
Credit card fees	7,363	0	25,360	32,723	440	10,570	43,733	52,655
Awards/Grants to Others	1,216,071	51,266	0	1,267,337	0	0	1,267,337	2,403,907
Miscellaneous	15,703	2,068	110,455	128,226	1,798	3,784	133,808	126,385
Total expenses before depreciation	11,630,200	549,008	1,903,549	14,082,757	423,201	890,543	15,396,501	16,000,813
Depreciation	4,092	0	0	4,092	2,426	5,736	12,254	19,238
Total expenses	\$ 11,634,292	\$ 549,008	\$ 1,903,549	\$ 14,086,849	\$ 425,627	\$ 896,279	\$ 15,408,755	\$ 16,020,051

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

**SAN FRANCISCO PARKS ALLIANCE**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2017 AND 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u><b>2017</b></u>	<u><b>2016</b></u>
Change in net assets	\$ (2,498,991)	\$ (6,390,770)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	12,254	19,238
Net realized and unrealized (gain) loss on investments	(291,712)	(10,986)
<i>Decrease (Increase) in assets:</i>		
Accounts receivable	114,852	126,714
Prepaid expenses	(4,766)	(8,560)
Inventory	(19,226)	11,822
<i>Increase (Decrease) in liabilities:</i>		
Accounts payable and accrued expenses	434,359	54,510
Deferred revenue	52,815	(28,048)
Net cash provided by operating activities	<u>(2,200,415)</u>	<u>(6,226,080)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Proceeds from sale of investments	2,831,230	1,038,975
Purchase of property and equipment	<u>(2,932)</u>	<u>(1,598)</u>
Net cash used by investing activities	<u>2,828,298</u>	<u>1,037,377</u>
<b>NET INCREASE IN CASH</b>	627,883	(5,188,703)
CASH AT BEGINNING OF YEAR	<u>1,244,256</u>	<u>6,432,959</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 1,872,139</u></u>	<u><u>\$ 1,244,256</u></u>
Supplemental data:		
Cash paid for interest	\$ <u>0</u>	\$ <u>0</u>
Noncash investing activities		
Contributed securities	\$ <u>324,504</u>	\$ <u>87,726</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, 2017 AND 2016**

**Note 1: ORGANIZATION AND NATURE OF ACTIVITIES**

The mission of the San Francisco Parks Alliance is to inspire and promote civic engagement and philanthropy that protects, sustains, and enriches San Francisco parks, recreation, and green open spaces. Working with the community and bilateral partners at government and nonprofit agencies throughout the city, the Parks Alliance strives to ensure that parks are accessible, beautiful, safe, and managed in a manner that makes them accountable and welcoming to all. The Board of Directors meets on a regular basis to set policy and oversee the administrative functions of the organization.

Through an array of community-based projects, the Parks Alliance 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. Parks Alliance 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 Parks Alliance's partnerships with San Francisco's Recreation and Park Department (RPD), Department of Planning, Public Works, Port of San Francisco, and the Mayor's Office, help support a citywide open space and park infrastructure through targeted fundraising initiatives, creative programming, and advocacy to maximize public resources for all residents.

The Parks Alliance 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 Parks Alliance is contingent upon successful achievement of its long-term revenue raising goals.

The descriptions of the major programs of the Parks Alliance 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 the organization: Park Program, Policy and Planning, and Philanthropy. Each category consists of two or more individual programs that help the organization fulfill its mission.

**Park Programs**

Park group support is provided citywide to park or neighborhood groups as part of the Parks Alliance's *Park Partners* program. The Park Partners program provides operational support and capacity building for approximately 200 park groups ranging from all-volunteer community groups, such as Friends of Alemany Farm, Residents for Noe Valley Town Square, San Francisco Tennis Coalition, Climate Action Now, Mission Community Market, and Northridge Community Garden, to nonprofit groups with small staffs such as Urban Sprouts, Garden for the Environment, and City Guides. Support from the Parks Alliance Park Partners team can include attending community meetings, representing the Parks Alliance on team projects, and working in close collaboration with other City agencies to coordinate workdays, events and stewardship activities throughout San Francisco's 225 neighborhood parks and recreation centers.

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 1: ORGANIZATION AND NATURE OF ACTIVITIES (continued)**

**Park Programs (continued)**

This work is done in conjunction with the RPD permit office, volunteer program office, and with other 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 Parks Alliance'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 Parks Alliance and SF Public Works that enables and assists community members in greening parcels owned by Public Works. 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 Team, leads free educational workshops, and provides services such as tool loans for work days and green waste pick-ups, consultation on topics such as funding sources, community advocacy, 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.

*Let'sPlaySF!* is a partnership of the Parks Alliance and the Recreation and Park Department 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.

**Policy & Planning**

San Francisco Parks Alliance tracks and researches planning that impacts parks citywide, such as the redevelopment of the Hunters Point Shipyard, and Pier 70. The Parks Alliance 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.

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. 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  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 1: ORGANIZATION AND NATURE OF ACTIVITIES (continued)**

**Policy & Planning (continued)**

Parks Alliance's volunteer *Policy Council* is a broad group of community leaders and park activists that includes members from the Parks Alliance's Board of Directors, and two representatives from each of San Francisco's 11 supervisorial districts. This committee advises 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 Parks Alliance Chief Executive Officer, staff, and Board of Directors grounded opinions on community policy issues and advocacy priorities.

**Philanthropy**

*Action Grant Awards:* A small grant can often create a great deal of momentum for a Park group. The Parks Alliance awards grants (\$500 to \$5,000) to neighborhood groups for projects based in recreation centers, parks, and/or public open space. This funding helps communities improve and activate their parks. Awards are made annually each spring.

*McLaren Fund:* Bequests received by the Parks Alliance 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:* The organization's annual gala raises funds for Parks Alliance 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 is the fiscal sponsor 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. 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 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.

In fiscal year 2017, The Conservatory of Flowers delivered two major special exhibits. *The Wild Bunch* explored the strange and dramatic world of water hoarding plants, bristling with living examples of cacti and other succulents, which are distinguished for their ability to survive extreme, arid conditions. *Butterflies and Blooms*, an exhibit which will continue into fiscal year 2018, is a unique opportunity to walk amongst a wide variety of brightly colored daisies, sunflowers, zinnias, and more, while free-flying butterflies flit from flower to flower, drinking nectar and getting covered in pollen. These goodwill ambassadors of the insect world provide a fascinating demonstration of plant pollination in action.

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 1: ORGANIZATION AND NATURE OF ACTIVITIES (concluded)**

**Conservatory of Flowers (continued)**

Through social, educational and cultural programming, the Conservatory reaches beyond the typical 'garden visitor' to find and grow new communities. The goal is to convert visitors into repeat visitors, members and future sustainers, and to open the greenhouse and event space for new uses.

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

The replacement of putty, used in the installation of 16,800 panes of glass, is a long awaited project that began in fiscal year 2017 and is expected to be completed in the first quarter of fiscal year 2018. The project is funded by \$1.2 million from the City of San Francisco.

During the 2017 fiscal year the Conservatory of Flowers earned \$1,520,960 in revenue and accumulated \$1,903,549 in expenses, including a total of \$344,101 on capital projects to support continued operations and growth.

**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.

**SAN FRANCISCO PARKS ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue Recognition (continued)**

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.

**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 various financial institutions. 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, 2017 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 one brokerage firm. 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.

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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, 2017.

**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, 2017, advertising expense totaled \$64,024.

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**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, 2016, from which the summarized information was derived.

**Note 3: ACCOUNTS RECEIVABLE**

Accounts Receivable consists of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Project reimbursements	\$ 48,637	\$ 164,925
Other	5,056	3,620
Total Accounts Receivable	<u>\$ 53,693</u>	<u>\$ 168,545</u>

**Note 4: INVENTORY – CONSERVATORY OF FLOWERS**

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

	<u>2017</u>	<u>2016</u>
Gift shop merchandise and books	\$ 33,830	\$ 14,604

**Note 5: 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, 2017:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	\$ 2,256,824	\$ 2,532,242	\$ 275,418
Stocks	799,721	1,127,579	327,858
Non U.S. securities	356,125	355,221	(904)
Certificates of deposit	4,578,429	4,575,400	(3,029)
Corporate obligations	1,204,655	1,162,974	(41,681)
Total	<u>\$ 9,195,754</u>	<u>\$ 9,753,416</u>	<u>\$ 557,662</u>

**SAN FRANCISCO PARKS ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 5: LONG-TERM INVESTMENTS (continued)**

Investment return for the year ended June 30, 2017 is summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 161,670	\$ 2,774	\$ 164,444
Net realized and unrealized gain (loss)	<u>293,989</u>	<u>(2,277)</u>	<u>291,712</u>
Net investment returns	<u>\$ 455,659</u>	<u>\$ 497</u>	<u>\$ 456,156</u>

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, 2016:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual Funds	\$ 2,607,201	\$ 2,696,588	\$ 89,387
Stocks	720,106	969,928	249,822
Non U.S. securities	391,496	394,583	3,087
Certificates of deposit	6,794,275	6,864,236	69,961
Government obligations	89,536	91,850	2,314
Corporate obligations	<u>1,301,481</u>	<u>1,275,749</u>	<u>(25,732)</u>
Total	<u>\$ 11,904,095</u>	<u>\$ 12,292,934</u>	<u>\$ 388,839</u>

Investment return for the year ended June 30, 2016 is summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 222,685	\$ 3,470	\$ 226,155
Net realized and unrealized gain (loss)	<u>14,121</u>	<u>(3,135)</u>	<u>10,986</u>
Net investment returns	<u>\$ 236,806</u>	<u>\$ 335</u>	<u>\$ 237,141</u>

**Note 6: PROPERTY AND EQUIPMENT**

Depreciation expense for the year ended June 30, 2017, and 2016 were \$12,254 and \$19,238 respectively.

The original cost and accumulated depreciation for the property and equipment were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Computer equipment	\$ 222,463	\$ 220,908
Furniture and fixtures	10,019	10,019
Leasehold Improvements	<u>34,736</u>	<u>33,359</u>
Total	<u>267,218</u>	<u>264,286</u>
Less: accumulated depreciation	<u>(245,687)</u>	<u>(233,433)</u>
Property and equipment, net	<u>\$ 21,531</u>	<u>\$ 30,853</u>



**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 7: 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 the Parks Alliance and the City was terminated, all furniture/equipment, and leasehold improvements, regardless of its dollar amount, are expensed.

In 2017, the Conservatory spent a total of \$344,101 on capital improvements, including \$274,505 on a lighting project, \$53,693 for Architectural work on the greenhouses, and \$16,525 for the replacement of hardware throughout the main building.

In 2016, the Conservatory spent \$183,948 on the following:

- \$89,292 for reroofing two of the Conservatory's four support greenhouses
- \$24,346 for design services to create details and specifications for Conservatory projects
- \$17,100 to replace benches in one of the support greenhouses
- \$53,210 to replace boilers and heaters for the Conservatory's heated display pools.

**Note 8: 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:

	June 30, 2017	June 30, 2016
McLaren Fund – long term projects	\$ 1,421,197	\$ 1,471,977
Park Partners Action Grant Awards (formerly, Innovator Awards)	6,116	6,863
Total	\$ 1,427,313	\$ 1,478,840

**Note 9: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are for the following purpose or periods:

	2017			
	June 30, 2016	Contributions	Releases From Restrictions	June 30, 2017
Park Partners Programs	\$ 10,371,170	\$ 5,985,228	\$ (10,270,792)	\$ 6,085,606
S.F. Recreation & Parks Dept. Programs	344,780	795,860	(549,008)	591,632
Conservatory of Flowers	0	193,370	(193,370)	0
Total	\$ 10,715,950	\$ 6,974,458	\$ (11,013,170)	\$ 6,677,238

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 9: TEMPORARILY RESTRICTED NET ASSETS (continued)**

	2016			
	June 30, 2015	Contributions	Releases From Restrictions	June 30, 2016
Park Partners Programs	\$ 15,894,194	\$ 5,111,332	\$ (10,634,356)	\$ 10,371,170
S.F. Recreation & Parks Dept. Programs	583,814	651,906	(890,940)	344,780
Conservatory of Flowers	0	183,948	(183,948)	0
Total	\$ 16,478,008	\$ 5,947,186	\$ (11,709,244)	\$ 10,715,950

**Note 10: 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 generally 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.

*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.

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 10: ENDOWMENT FUND (continued)**

Endowment Net Asset Composition as of June 30, 2017, is as follows:

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

Changes in endowment net assets as of June 30, 2017, are as follows:

	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning	\$ 50,000	\$ 50,000
Contributions	0	0
Investment income	0	0
Net appreciation (depreciation)	0	0
Amounts appropriated for expenditure	0	0
Endowment net assets, end of year	\$ <u>50,000</u>	\$ <u>50,000</u>

Endowment Net Asset Composition as of June 30, 2016, is as follows:

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

**Note 11: 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. Rent expense for the year ending June 30, 2017 and 2016 is \$125,102 and \$130,320, respectively. Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	
2018	\$ 139,637
2019	143,550
July – Oct 2019 (end of lease)	11,990
Total	\$ <u>295,177</u>

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Note 12: IN-KIND DONATIONS**

During the year ended June 30, 2017, The Organization recorded in-kind donations for legal services of \$266,500.

During the year ended June 30, 2016, the Organization recorded in-kind donations for legal services of \$167,000, and \$62,314 in goods and services for the May 2016 Conservatory of Flowers GALA.

**Note 13: CONSERVATION EASEMENT**

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

**Note 14: SUBSEQUENT EVENTS**

SFPA has evaluated all subsequent events through December 5, 2017, the date which the financial statements were available to be issued.

**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 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, 2017, 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 December 5, 2017.

**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.

*Jacob L. Bernstein & Company*  
San Francisco, California  
December 5, 2017