

**SAN FRANCISCO PARKS ALLIANCE**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017  
IZABAL, BERNACIAK & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS**

**SAN FRANCISCO PARKS ALLIANCE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

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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, 2018, 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, 2018, 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.

**Report on Summarized Comparative Information**

We have previously audited the San Francisco Parks Alliance's 2017 financial statements, and our report dated December 5, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it was derived.

*Jacob L. Bernhardt & Company*

San Francisco, California

February 11, 2019

**SAN FRANCISCO PARKS ALLIANCE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

<b>ASSETS</b>	<b>2018</b>	<b>As Restated 2017</b>
Cash and cash equivalents	\$ 908,238	\$ 1,872,139
Accounts receivable	1,220,240	831,487
Loan receivable	322,276	331,802
Unconditional promises to give	10,000	-
Prepaid expenses	261,084	125,408
Inventory - Conservatory of Flowers	15,738	33,830
Investments	8,994,485	9,753,416
Property and equipment - net	<u>19,218</u>	<u>21,531</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>11,751,279</u></b>	<b>\$ <u>12,969,613</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,112,317	\$ 995,272
Deferred revenue	<u>284,520</u>	<u>294,722</u>
<b>TOTAL LIABILITIES</b>	<b>1,396,837</b>	<b>1,289,994</b>
 <b>NET ASSETS</b>		
Unrestricted	1,300,297	1,446,118
Temporarily Restricted	9,004,145	10,183,501
Permanently Restricted	<u>50,000</u>	<u>50,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>10,354,442</u></b>	<b><u>11,679,619</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ <u>11,751,279</u></b>	 <b>\$ <u>12,969,613</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, 2018  
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			As Restated 2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
<b>SUPPORT AND REVENUE:</b>					
Contributions	\$ 0	\$ 11,174,194	\$ 0	\$ 11,174,194	\$ 10,430,823
Admissions and sales - Conservatory of Flowers	1,303,637	0	0	1,303,637	1,168,579
Memberships	91,509	0	0	91,509	14,597
Administrative Fees	491,414	0	0	491,414	354,466
Program fees	566,131	0	0	566,131	374,102
Revenue from special events	1,070,801	0	0	1,070,801	706,465
In-kind donations	529,802	0	0	529,802	266,500
Interest and investment income	204,789	1,950	0	206,739	164,444
Realized and unrealized gain (loss) from investments	128,196	(3,200)	0	124,996	291,712
Other income	295,383	0	0	295,383	247,672
Net assets released from restrictions	12,352,300	(12,352,300)	0	0	0
Total support and revenue	<u>17,033,962</u>	<u>(1,179,356)</u>	<u>0</u>	<u>15,854,606</u>	<u>14,019,360</u>
<b>EXPENSES:</b>					
Program services:					
General Programs & Park Partner Programs	12,202,237	0	0	12,202,237	11,634,292
S. F. Recreation & Park Department Programs	794,491	0	0	794,491	549,008
Conservatory of Flowers	2,399,788	0	0	2,399,788	1,903,549
Supporting services:					
General and administrative	636,434	0	0	636,434	425,627
Development	1,146,833	0	0	1,146,833	896,279
Total expenses	<u>17,179,783</u>	<u>0</u>	<u>0</u>	<u>17,179,783</u>	<u>15,408,755</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(145,821)	(1,179,356)	0	(1,325,177)	(1,389,395)
NET ASSETS at beginning of year	<u>1,446,118</u>	<u>10,183,501</u>	<u>50,000</u>	<u>11,679,619</u>	<u>13,069,014</u>
<b>NET ASSETS at end of year</b>	<u>\$ 1,300,297</u>	<u>\$ 9,004,145</u>	<u>50,000</u>	<u>\$ 10,354,442</u>	<u>\$ 11,679,619</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, 2018 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services				Supporting Services		2018 Totals	2017 Totals
	General & Parks Partner Programs	S.F. Recreation & Parks Dept Programs	Conservatory of Flowers	Program Services Total	General and Administrative	Development		
Salaries and wages	\$ 1,296,201	\$ 97	\$ 753,699	\$ 2,049,997	\$ 275,979	\$ 322,096	\$ 2,648,072	\$ 2,208,039
Benefits and payroll taxes	251,260	0	130,751	382,011	51,844	69,391	503,246	406,444
Consultants	1,556,620	209	263,200	1,820,029	186,653	222,992	2,229,674	1,175,619
Contractors	7,484,984	289,464	515,472	8,289,920	550	2,000	8,292,470	7,874,810
Program material and supplies	812,066	361,607	102,194	1,275,867	3,493	2,890	1,282,250	963,780
Office expenses	106,113	0	116,879	222,992	56,737	70,619	350,348	330,577
Postage and shipping	7,201	0	4,875	12,076	1,396	9,032	22,504	23,740
Printing and publication	28,003	0	32,684	60,687	5,227	17,165	83,079	79,919
Travel, conferences and meetings	31,443	0	48,312	79,755	27,126	10,133	117,014	87,837
Insurance	40,017	0	734	40,751	8,636	11,603	60,990	46,428
Publicity	4,225	0	43,632	47,857	79	10,321	58,257	64,622
Outside services	67,706	0	139,710	207,416	820	290,326	498,562	345,181
Interest	2,284	0	0	2,284	0	0	2,284	7,410
Administrative fees	396,489	26,545	82,130	505,164	0	0	505,164	337,217
Credit card fees	9,849	0	21,946	31,795	500	9,728	42,023	43,733
Awards/Grants to Others	86,508	114,373	0	200,881	0	92,359	293,240	1,267,337
Miscellaneous	16,590	2,196	143,570	162,356	14,000	2,584	178,940	133,808
Total expenses before depreciation	12,197,559	794,491	2,399,788	15,391,838	633,040	1,143,239	17,168,117	15,396,501
Depreciation	4,678	0	0	4,678	3,394	3,594	11,666	12,254
Total expenses	\$ 12,202,237	\$ 794,491	\$ 2,399,788	\$ 15,396,516	\$ 636,434	\$ 1,146,833	\$ 17,179,783	\$ 15,408,755

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

**SAN FRANCISCO PARKS ALLIANCE  
STATEMENT OF CASH FLOWS  
JUNE 30, 2018 AND 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u>2018</u>	<u>As Restated 2017</u>
Change in net assets	\$ (1,325,177)	\$ (1,389,443)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	11,666	12,254
Net realized and unrealized (gain) loss on investments	(124,996)	(291,712)
<i>Decrease (Increase) in assets:</i>		
Accounts receivable	(388,753)	(662,942)
Unconditional promises to give	(10,000)	0
Prepaid expenses	(135,676)	(4,766)
Inventory	18,092	(19,226)
<i>Increase (Decrease) in liabilities:</i>		
Accounts payable and accrued expenses	117,045	434,359
Deferred revenue	(10,202)	52,815
Net cash provided /(used) by operating activities	<u>(1,848,001)</u>	<u>(1,868,661)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Proceeds from sale of investments	883,927	2,831,230
Purchase of property and equipment	(9,353)	(2,932)
Net cash provided/(used) by investing activities	<u>874,574</u>	<u>2,828,298</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds (payments) of loan receivable	9,526	(331,754)
Net cash provided/(used) in financing activities	<u>9,526</u>	<u>(331,754)</u>
<b>NET INCREASE/(DECREASE) IN CASH</b>	(963,901)	627,883
CASH AT BEGINNING OF YEAR	<u>1,872,139</u>	<u>1,244,256</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 908,238</u>	<u>\$ 1,872,139</u>
Supplemental data:		
Cash paid for interest	<u>\$ 0</u>	<u>\$ 0</u>
Noncash investing activities		
Contributed securities	<u>\$ 548,165</u>	<u>\$ 324,504</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, 2018 AND 2017**

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

The San Francisco Parks Alliance champions, transforms, and activates parks and public spaces throughout the City. 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 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 partners with San Francisco's Recreation and Park Department (RPD), Department of Planning, Office of Economic and Workforce Development (OEWD), Public Works, Port of San Francisco, City Administrator's Office, and the Mayor's Office, to support the citywide open space and park infrastructure that make San Francisco so unique.

The 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:

**Partners**

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

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

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

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

*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. As many of the original projects are completing their construction phases, Parks Alliance is now focused on how to best serve the needs of the adjacent communities, whose parks and open spaces have been historically underserved. The Blue Greenway is also a part of a larger project to connect more than 500 miles of green space throughout nine Bay Area counties.

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

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

**Philanthropy**

*McLaren Fund:* Bequests received by the 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. The last two years have benefited the Let's Play Sf! initiative.

**Conservatory of Flowers**

Through a memorandum of understanding with the City's Recreation and Parks Department, San Francisco Parks Alliance is a 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 availability to people of all backgrounds and economic means, the Conservatory provides free admission on the first Tuesday of each month.

Fiscal Year 2018 saw a significant increase in activity as the Conservatory shifted its exhibit strategy from creating and programming two exhibits per year to creating curated events and experiences aimed at attracting local residents. Examples of events ranged from Beer Gardens to Murder Mysteries to Sound Meditation sessions. The Conservatory also continued to attract attention to its facility with its light art installation, begun with the 50<sup>th</sup> Anniversary of the Summer of Love celebration which took place in June of 2017.

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

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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

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

During Fiscal Year 2018, the Conservatory of Flowers earned \$2,264,668 in revenue and accumulated \$2,399,788 in expenses, including \$229,342 on capital projects to support continued operations and growth. Net assets for the Conservatory of Flowers amounted to \$81,194 at June 30, 2018.

**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, 2018 AND 2017**

**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 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, 2018 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, 2018 AND 2017**

**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, 2018.

**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, 2018, advertising expense totaled \$64,888.

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**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, 2017, from which the summarized information was derived.

**Note 3: ACCOUNTS RECEIVABLE**

Accounts Receivable consists of the following as of June 30:

	2018	As restated 2017
Project reimbursements	\$ 1,218,190	\$ 826,431
Other	2,050	5,056
Total Accounts Receivable	<u>\$ 1,220,240</u>	<u>\$ 831,487</u>

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

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

	2018	2017
Gift shop merchandise and books	\$ 15,738	\$ 33,830

**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, 2018:

	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Money Market Funds	\$ 71,303	\$ 71,303	\$ 0
Mutual Funds	2,580,613	2,889,775	309,162
Stocks	890,109	1,294,352	404,243
Non U.S. Securities	54,713	54,969	256
Certificates of Deposit	2,950,515	2,946,937	(3,578)
Corporate Obligations	1,791,647	1,737,149	(54,498)
Total	<u>\$ 8,338,900</u>	<u>\$ 8,994,485</u>	<u>\$ 655,585</u>

**SAN FRANCISCO PARKS ALLIANCE**  
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**Note 5: LONG-TERM INVESTMENTS (continued)**

Investment return for the year ended June 30, 2018 is summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 204,789	\$ 1,951	\$ 206,740
Net realized and unrealized gain (loss)	<u>128,196</u>	<u>(3,200)</u>	<u>124,996</u>
Net investment returns	<u>\$ 332,985</u>	<u>\$ (1,249)</u>	<u>\$ 331,736</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, 2017:

	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
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	<u>1,204,655</u>	<u>1,162,974</u>	<u>(41,681)</u>
Total	<u>\$ 9,195,754</u>	<u>\$ 9,753,416</u>	<u>\$ 557,662</u>

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>

**Note 6: PROPERTY AND EQUIPMENT**

Depreciation expense for the year ended June 30, 2018, and 2017 were \$11,666 and \$12,254 respectively.

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

	June 30, 2018	June 30, 2017
Computer equipment	\$ 231,816	\$ 222,463
Furniture and fixtures	10,019	10,019
Leasehold Improvements	<u>34,736</u>	<u>34,736</u>
Total	276,571	267,218
Less: accumulated depreciation	<u>(257,353)</u>	<u>(245,687)</u>
Property and equipment, net	<u>\$ 19,218</u>	<u>\$ 21,531</u>

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**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 2018, the Conservatory spent a total of \$229,342 for architectural work on the greenhouses.

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.

**Note 8: TEMPORARILY RESTRICTED NET ASSETS**

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

<b>2018</b>				
	June 30, 2017	Contributions	Releases From Restrictions	June 30, 2018
Park Partners Programs	\$ 9,591,869	\$ 10,120,504	\$ (11,459,549)	\$ 8,252,824
S.F. Recreation & Parks Dept. Programs	591,632	954,180	(794,491)	751,321
Conservatory of Flowers	0	98,260	(98,260)	0
<b>Total</b>	<b>\$ 10,183,501</b>	<b>\$ 11,172,944</b>	<b>\$ (12,352,300)</b>	<b>\$ 9,004,145</b>

<b>As restated 2017</b>				
	June 30, 2016	Contributions	Releases From Restrictions	June 30, 2017
Park Partners Programs	\$ 10,371,170	\$ 9,491,491	\$ (10,270,792)	\$ 9,591,869
S.F. Recreation & Parks Dept. Programs	344,780	795,860	(549,008)	591,632
Conservatory of Flowers	0	193,370	(193,370)	0
<b>Total</b>	<b>\$ 10,715,950</b>	<b>\$ 10,480,721</b>	<b>\$ (11,013,170)</b>	<b>\$ 10,183,501</b>

**SAN FRANCISCO PARKS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
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**Note 9: 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.

Endowment Net Asset Composition as of June 30, 2018, is as follows:

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

**SAN FRANCISCO PARKS ALLIANCE  
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**Note 9: ENDOWMENT FUND (continued)**

Changes in endowment net assets as of June 30, 2018, 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, 2017, is as follows:

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

**Note 10: LEASES**

SFPA leases their office facilities at 1663 Mission Street, Suite 320, beginning October 2014. 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, 2018 and 2017 is \$134,470 and \$125,102, respectively. Future minimum lease payments are as follows:

<u>Year ending June 30:</u>	
2019	\$ 139,536

**Note 11: IN-KIND DONATIONS**

The Organization recorded in-kind donations for the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Legal services	\$ 433,114	\$ 266,500
Food donations	96,688	0
In-kind donations, end of year	\$ <u>529,802</u>	\$ <u>266,500</u>

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**Note 12: 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 13: FISCAL YEAR 2017 RESTATEMENT**

SFPA has restated its financial statements as of and for the year ended, June 30, 2017 to correct for errors identified subsequent to the issuance of the 2017 financial statements. The error was related to the understatement of revenues for certain Park Partners for the year ended June 30, 2017. The correction resulted in an increase to revenues, account receivables, and loan receivables of \$1,109,596, \$777,794, and \$331,802, respectively. This correction resulted in an increase to Temporarily Restricted Net Assets of \$1,109,596 as of June 30, 2017.

**Note 14: LOANS RECEIVABLE**

In FY 2016, SFPA entered into an agreement with Literacy for Environmental Justice (LEJ), an organization with its own 501(c)(3), to provide funds for the purpose of securing a grant. Those funds were to be paid back to SFPA as the grantor released payments to LEJ. As of June 30, 2018 and 2017, the balance due on the loan is \$322,276 and \$331,802, respectively.

**Note 15: RECLASSIFICATION OF NET ASSETS FROM UNRESTRICTED TO RESTRICTED**

Several SFPA Programs, including Street Parks, Blue Greenway, The Rose, Playgrounds Campaign and Citywide Public Space Initiative have been reclassified from Unrestricted to Temporarily Restricted Net Assets in accordance with GAAP. The resulting changes are an increase to Temporarily Restricted Net Assets of \$3,253,050, and a decrease to Unrestricted Net Assets of \$3,253,050.

**SAN FRANCISCO PARKS ALLIANCE  
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**Note 16: SUBSEQUENT EVENTS**

During the fiscal year ended June 30, 2018, SFPA entered into an intent of merger agreement with Build Public, Inc. DBA Place Lab, a California nonprofit public benefit corporation (PL). PL will merge with and into SFPA, with SFPA as the legally surviving organization. There will be no consideration paid to either party in connection with the transfer. All the rights and property of PL will be transferred to SFPA and SFPA will be subject to all of PL's debts, liabilities, and trust obligations in the same manner as if SFPA had itself incurred them. Both organizations specialize in community engagement, providing bridges between big city agencies & small neighborhood organizations, for the sole purpose of improving public space and quality of life in San Francisco. Each organization brings distinctive services and staff experience to this merger. Moving forward together, each organization hopes to leverage each other's native strengths to re-envision how public-private partnerships can transform public space and public life for the better.

This merger agreement will become effective once all the necessary authorizations, approvals, or consents, and certifications have been submitted by SFPA to the California Secretary of State for filing, this is expected to take place in FY2019.