



**FINANCIAL STATEMENTS**

**JUNE 30, 2016**



**Leaf & Cole, LLP**  
*Certified Public Accountants*

**BALBOA PARK CONSERVANCY  
FINANCIAL STATEMENTS  
JUNE 30, 2016**

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Leaf & Cole, LLP  
Certified Public Accountants  
A Partnership of Professional Corporations

## **Independent Auditor's Report**

To the Board of Directors  
Balboa Park Conservancy

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Balboa Park Conservancy which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Balboa Park Conservancy as of June 30, 2016, 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 Balboa Park Conservancy's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of functional expenses for the year ended June 30, 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The summarized comparative information for the year ended June 30, 2015 included in the supplementary schedule of functional expenses for the year ended June 30, 2016 has been derived from Balboa Park Conservancy's 2015 financial statements and in our report dated September 8, 2015 we expressed our opinion that the information was fairly stated in all material respects in relation to the financial statements as a whole.

Leaf & Cole LLP

San Diego, California  
October 13, 2016

**BALBOA PARK CONSERVANCY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b><u>Assets:</u></b> ( Notes 1, 2, 3 and 4)		
Cash and cash equivalents:		
Unrestricted	\$ 689,643	\$ 639,876
Restricted	542,209	388,308
Total cash and cash equivalents	1,231,852	1,028,184
Accounts receivable	137,327	151,600
Grants and pledges receivable	15,500	-
Inventories	97,135	87,536
Prepaid expenses	20,925	35,260
Property and equipment, net	204,095	216,516
<b>TOTAL ASSETS</b>	<b>\$ 1,706,834</b>	<b>\$ 1,519,096</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Liabilities:</u></b> (Note 1)		
Accounts payable and accrued expenses	\$ 208,738	\$ 161,451
Prepaid rents	26,153	22,664
Total Liabilities	234,891	184,115
<b><u>Commitments</u></b> (Notes 6 and 10)		
<b><u>Net Assets:</u></b> ( Notes 1, 7 and 8)		
Unrestricted:		
Unrestricted	648,256	665,439
Board designated	281,478	281,234
Total Unrestricted	929,734	946,673
Temporarily restricted	542,209	388,308
Total Net Assets	1,471,943	1,334,981
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,706,834</b>	<b>\$ 1,519,096</b>

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

**BALBOA PARK CONSERVANCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<b><u>Revenue and Support:</u></b>				
Retail operations	\$ 1,361,643	\$ -	\$ 1,361,643	\$ 1,257,583
Rental income	952,803	-	952,803	958,503
Grants	80,458	202,666	283,124	-
Contributions	189,845	59,639	249,484	758,838
Event management fee	71,696	-	71,696	45,121
In-kind contributions	10,500	11,655	22,155	82,075
Miscellaneous income	20,068	-	20,068	9,194
Interest income	395	-	395	260
Net assets released from retrictions	120,059	(120,059)	-	-
Total Revenue and Support	<u>2,807,467</u>	<u>153,901</u>	<u>2,961,368</u>	<u>3,111,574</u>
<b><u>Expenses:</u></b>				
<b><u>Program Expenses:</u></b>				
Retail operations	1,266,967	-	1,266,967	1,249,670
Facilities	557,656	-	557,656	535,862
Balboa Park marketing	193,195	-	193,195	283,846
Other programs	278,134	-	278,134	116,643
Total Program Expenses	<u>2,295,952</u>	<u>-</u>	<u>2,295,952</u>	<u>2,186,021</u>
<b><u>Supporting Services:</u></b>				
General and administrative	346,590	-	346,590	475,769
Fundraising	181,864	-	181,864	28,015
Total Supporting Services	<u>528,454</u>	<u>-</u>	<u>528,454</u>	<u>503,784</u>
Total Expenses	<u>2,824,406</u>	<u>-</u>	<u>2,824,406</u>	<u>2,689,805</u>
Change in Net Assets	(16,939)	153,901	136,962	421,769
Net Assets at Beginning of Year	<u>946,673</u>	<u>388,308</u>	<u>1,334,981</u>	<u>913,212</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 929,734</u>	<u>\$ 542,209</u>	<u>\$ 1,471,943</u>	<u>\$ 1,334,981</u>

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

**BALBOA PARK CONSERVANCY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 136,962	\$ 421,769
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	18,421	18,269
Loss on disposal of property and equipment	-	70,375
<b>(Increase) Decrease in:</b>		
Accounts receivable	14,273	(2,752)
Grants and pledges receivable	(15,500)	-
Inventories	(9,599)	(619)
Prepaid expenses	14,335	(15,057)
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	47,287	38,019
Prepaid rents	3,489	(2,687)
Net Cash Provided by Operating Activities	<u>209,668</u>	<u>527,317</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Additions to property and equipment	<u>(6,000)</u>	<u>(70,078)</u>
Net Cash Used in Investing Activities	<u>(6,000)</u>	<u>(70,078)</u>
Net Increase in Cash and Cash Equivalents	203,668	457,239
Cash and Cash Equivalents at Beginning of Year	<u>1,028,184</u>	<u>570,945</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,231,852</u></u>	<u><u>\$ 1,028,184</u></u>

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

**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

Balboa Park Conservancy (“The Conservancy”) was organized on November 3, 1923. The Conservancy’s focus is on achieving its goals of sustainability, accessibility and possibility through raising funds to implement projects throughout Balboa Park, and through further commitment to park-wide initiatives that enhance the visitor experience.

**Mission**

To keep Balboa Park magnificent, by sustaining and enhancing its beauty and its historic, cultural and recreational character, for the enduring enjoyment of all.

**Vision**

Balboa Park is treasured and sustained as one of the greatest parks in the world, an urban oasis with an unparalleled blend of natural, recreational, educational, cultural, historical, and economic assets; an exceptionally appealing and enjoyable destination for people of all ages and backgrounds from across the region and the globe. The Conservancy’s vision is to enable a destination where visitors recreate and are inspired, enriched, educated and wish to return regularly; to provide a place of excitement and imagination known throughout the world as the “jewel” of the San Diego region; to ensure a haven for recreation, reflection, inspiration and innovation; unique worldwide in its diversity of programs and activities. This vision embraces three overarching goals for action by The Conservancy:

- Sustainability: The Conservancy will assume a leadership role in seeking solutions to improving and enhancing Balboa Park for the use of future generations of visitors.
- Accessibility: The Conservancy will take ownership for ensuring that access to, from and within Balboa Park is improved.
- Possibility: The Conservancy will create a process to keep Balboa Park interesting and entertaining to visitors by seeking and using cutting edge ideas and technology to continually renew the visitor experience.

**Values**

- Collaboration: Through working with all of Balboa Park stakeholders to maintain, improve and enhance Balboa Park.
- Transparency: Through dialogue with the San Diego community/region, including private and public participants.
- Understanding of and respect for the whole of Balboa Park: Through identification of priorities and projects, both large and small, that can be accomplished in a timely and effective manner.



**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Organization (Continued)**

The Conservancy's programs include the following:

**Retail Operations**

The Conservancy's Balboa Park Visitor Center informs, educates and serves over 500,000 annual visitors to Balboa Park. The Balboa Park Visitor Center, the largest in the region, is staffed by multilingual co-workers and volunteers with diverse backgrounds who are trained to promote Park-wide institutions and activities. The Balboa Park Visitor Center operates a gift store to offset the cost of visitor services and sells Balboa Park multi-museum passes, zoo and harbor tickets to visitors.

**Facilities**

The Conservancy provides security and maintains the House of Hospitality, a National historic building, and grounds including the electrical and mechanical systems within the building. The Conservancy's facilities department also cleans and services the restrooms which serve the restaurant, meeting rooms, tenants and visitors numbering over 1,000,000 each year.

**Balboa Park Marketing**

The Conservancy provides marketing service and support to a four-tiered customer base: 1. Balboa Park organizations and institutions; 2. City of San Diego Park & Recreation Department; 3. Local, regional and national and international media; and 4. Residents, business travelers and tourists of San Diego.

**Other Programs**

The Conservancy's other programs which sustain and enhance Balboa Park include the following: Park Activation- provides improvements to and activation of the Plaza de Panama through a series of curated events such as Food Truck Fridays; Cultural Landscape Report- provides a record of what was added to Balboa Park, when and how much of it survives today, helping to determine what elements in Balboa Park are most historic; Economic Impact Report- measures the impact that Balboa Park has on the regional economy providing critical information in order to identify and promote the economic value of Balboa Park to the region; Nate's Point Dog Park- capital improvements to the dog park including new fencing and tree planting; Wayfinding and Signage- a comprehensive signage inventory to improve the visitor experience and enhance access, circulation and orientation; Planning, Design and Outreach- collaborative planning, design and outreach including a series of stakeholder meetings and support for programs such as December Nights.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Organization (Continued)**

**Other Programs (Continued)**

The Conservancy's process for selecting programs and capital improvement projects includes regular collaboration with and ongoing input from Balboa Park stakeholders and the City of San Diego. The Conservancy will:

- Review major proposals and collect input from subject matter specialists, and
- Make recommendations to the Board of Directors for support of those strategic proposals that best advance the sustainability, preservation and visitor experience in Balboa Park.
- Some proposals will be recommended for funding support.
- The Conservancy will provide major proposal leadership and coordination in an inclusive and transparent manner.

Using this inclusive process, in the fall of 2013 The Conservancy's volunteer board decided to proceed with the organization's inaugural capital improvement project - the rehabilitation and restoration of the iconic Botanical Building in Balboa Park.

Situated at the center of Balboa Park's central mesa, the Botanical Building is one of the most visited and photographed structures in the park. The Botanical Building was constructed for the 1915 Panama-California Exposition as one of just four structures intended to remain as permanent.

Over the years, continued and severe constraints in public funding seriously impacted the building's appearance and infrastructure – so much so that it is currently rated in “Poor” condition, according to the Facility Condition Index; the benchmark used to compare the relative condition of a public facilities. Additionally, over time, significant changes were made to the building that altered its original appearance and features.

To accomplish this project, The Conservancy has embarked on a campaign to raise \$10 million to restore the Botanical Building and Gardens to its original splendor and enhance its place as a centerpiece within Balboa Park. The Conservancy has raised \$464,593 of the \$10 million needed for the project at June 30, 2016.

**Significant Accounting Policies**

**Method of Accounting**

The financial statements of The Conservancy have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Financial Statement Presentation**

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of The Conservancy and/or the passage of time. When a donor stipulated time restriction ends or a 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.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by The Conservancy. The income from these assets is available for either general operations or specific programs as specified by the donor.

**Estimates**

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

**Fair Value Measurements**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Conservancy had no financial instruments at June 30, 2016 and 2015.

**Allowance for Doubtful Accounts**

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable and grants and pledges receivable were fully collectible; therefore, no allowance for doubtful accounts receivable and grants and pledges receivable was recorded at June 30, 2016 and 2015.

**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Inventories**

Inventories of the Balboa Park Visitor Center merchandise consist primarily of books, periodicals, tickets and other gift items. Inventories are valued at the lower of average cost (first-in, first-out) or market.

**Capitalization and Depreciation**

The Conservancy capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, The Conservancy reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Conservancy reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Leasehold improvements	5 - 30 years
Furniture and equipment	3 - 10 years

Depreciation expense totaled \$18,421 and \$18,269 for the years ended June 30, 2016 and 2015, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale or disposition. Any resultant gain or loss is recorded as income or expense.

**Compensated Absences**

Accumulated unpaid vacation and other employee benefit amounts totaling \$19,554 and \$22,483 at June 30, 2016 and 2015, respectively, are accrued when incurred and included in accounts payable and accrued expenses.

**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Revenue Recognition**

**Rental Income**

Advance receipts of rental income are deferred or classified as liabilities until earned. Prepaid rents totaled \$26,153 and \$22,664 at June 30, 2016 and 2015, respectively.

**Contributions**

Contributions are recognized when the donor makes a promise to give to The Conservancy that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net asset depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Grant Income**

The Conservancy was the recipient of a grant in the amount of \$75,458 for the year ended June 30, 2016 from the City of San Diego Commission for Arts and Culture, for the purpose of supporting the Balboa Park December Nights Event (Note 6). This has been recorded as grant revenue and grants expense for the year ended June 30, 2016.

**In-Kind Contributions**

The Conservancy utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services of volunteers did not meet the requirements above; therefore, no amounts for these services were recognized in the financial statements.

The Conservancy has received donations for professional services. The professional services are recorded at their fair value and totaled \$-0- and \$10,500 for the years ended June 30, 2016 and 2015, respectively. The amounts have been included in both revenue and expense in the accompanying financial statements.

The Conservancy has received donations of landscaping, advertising and marketing materials and furniture, fixtures and equipment during the year. The donations are recorded at their fair value and totaled \$22,155 and \$71,575, for the years ended June 30, 2016 and 2015, respectively. The amounts have been included in both revenue and expense in the accompanying financial statements.

**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Allocated Expenses**

The Conservancy allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by The Conservancy's management.

**Income Taxes**

The Conservancy is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code except on net income derived from unrelated business activities. The Conservancy believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Conservancy is not a private foundation.

The Conservancy's Return of Organization Exempt from Income Tax for the years ended June 30, 2016, 2015, 2014 and 2013 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns are filed.

**Concentration of Credit Risk**

The Conservancy maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Conservancy has not experienced any losses in such accounts. The Conservancy believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, The Conservancy considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

**Subsequent Events**

The Conservancy has evaluated events through October 13, 2016, which is the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 2 - Accounts Receivable:**

Accounts receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
The Prado at Balboa Park	\$ 132,703	\$ 144,895
Balboa Park Cultural Partnership	4,567	6,705
Other	57	-
Total Accounts Receivable	<u>\$ 137,327</u>	<u>\$ 151,600</u>

**Note 3 –Grants and Pledges Receivable:**

Grants and pledges receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Southwest Airlines	\$ 15,000	\$ -
Pledges receivable – Due in less than one year	500	-
Total Grants and Pledges Receivable	<u>\$ 15,500</u>	<u>\$ -</u>

**Note 4 – Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 307,247	\$ 307,247
Furniture and equipment	162,186	162,186
Construction in progress	6,000	-
Subtotal	<u>475,433</u>	<u>469,433</u>
Less: Accumulated depreciation	<u>(271,338)</u>	<u>(252,917)</u>
Property and Equipment, Net	<u>\$ 204,095</u>	<u>\$ 216,516</u>

**Note 5 - Rental Income:**

The Conservancy leases office and restaurant space under operating leases through October 2019, and other offices under month-to-month leases. Rental income totaled \$952,803 and \$958,503 for the years ended June 30, 2016 and 2015, respectively. The related future minimum lease income is as follows:

<u>Years Ended</u> <u>June 30</u>	
2017	\$ 275,661
2018	233,854
2019	230,557
2020	57,639
Total	<u>\$ 797,711</u>

**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 6 – Balboa Park December Nights Event:**

On August 14, 2013, The Conservancy entered into an agreement with the City of San Diego to serve as the non-profit fiduciary and managing agent for the Balboa Park December Nights Event. The December Nights Event is an annual event held in Balboa Park in December to enhance the balance of community and culture in San Diego. December Nights has been a part of the fabric of San Diego for over thirty-five years. The agreement expires on April 30, 2018.

In accordance with the agreement with the City of San Diego, The Conservancy is paid sixty percent (60%) of the net event proceeds as an event management fee. For the December Nights Event held in December 2015 and 2014, The Conservancy earned \$71,696 and \$45,121, respectively, in event management fees, which has been reported as event management fees in the statements of activities for the years ended June 30, 2016 and 2015, respectively.

**Note 7 – Unrestricted – Board Designated Net Assets:**

The Board has designated unrestricted net assets for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Capital reserve	\$ 261,547	\$ 261,667
Botanical Building	19,931	19,567
Total Unrestricted – Board Designated Net Assets	<u>\$ 281,478</u>	<u>\$ 281,234</u>

**Note 8 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Botanical Building	\$ 372,947	\$ 383,443
Tree fund	50,000	-
Park Activation	45,520	4,865
Economic impact report	29,610	-
Cultural landscape report	21,815	-
Nate's Point	15,567	-
Wayfinding and signage	6,750	-
Total Temporarily Restricted Net Assets	<u>\$ 542,209</u>	<u>\$ 388,308</u>

Net assets totaling \$120,059 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the year ended June 30, 2016.



**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

**Note 9 - San Diego Foundation Balboa Park Conservancy Fund:**

The San Diego Foundation (“SDF”) established a field of interest non-endowment fund at their organization named the San Diego Balboa Park Conservancy Fund (“Fund”). The Fund was established on September 10, 2010 under an agreement by and between the Legler Benbough Foundation, The Parker Foundation and SDF. The primary purpose of the Fund is to support the mission of The Conservancy.

Under the terms of the Fund agreement, all money and property in the Fund shall be assets of SDF and shall be subject only to the control of SDF. Since SDF was explicitly granted variance power under the Fund agreement The Conservancy is not allowed to recognize its rights to assets held in the Fund until the assets are distributed to The Conservancy. The assets in the Fund totaled \$830 and \$2,952 at June 30, 2016 and 2015, respectively. Distributions made to The Conservancy from the Fund which have been included in contributions totaled \$57,994 and \$210,572 for the years ended June 30, 2016 and 2015, respectively.

**Note 10 - Commitments:**

**Operating Lease**

The Conservancy has a noncancelable operating lease agreement with the City of San Diego for the period October 1997 through September 2018. The Conservancy pays a monthly minimum rent plus percentage rent based on certain income generated by the leased facilities. Rent expense for this lease totaled \$92,251 and \$93,120 for the years ended June 30, 2016 and 2015, respectively. The following is a schedule of future minimum lease payments under the lease:

Years Ended June 30		
2017	\$	70,101
2018		70,101
2019		17,525
Total	\$	157,727

**Employee Benefit Plan**

The Conservancy has established a 403(b) Plan covering full-time employees who have completed 90 days of service and have attained the age of nineteen. Employees may defer a percentage of their annual compensation, not to exceed the annual amount allowed by law. The Conservancy made a matching contribution equal to 100% of employee salary deferrals not to exceed 3% of employee compensation. The Conservancy contributed \$13,719 and \$10,998 to the Plan for the years ending June 30, 2016 and 2015, respectively.

**BALBOA PARK CONSERVANCY  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

	Program Expenses										Supporting Services			Total 2016	Total 2015	
	Retail Operations		Facilities		Balboa Park Marketing	Other Programs					Total	General and Administrative	Fundraising			Total
						Planning, Design and Outreach	Botanical Building	Park Activation	Cultural Landscape	Economic Impact						
<b>Salaries and Related Expenses:</b>																
Salaries and wages	\$ 214,220	\$ 155,159	\$ 97,535	\$ 51,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,164	\$ 186,089	\$ 113,107	\$ 299,196	\$ 817,360	\$ 688,432
Payroll taxes and employee benefits	72,787	58,012	25,392	3,921	-	-	-	-	-	-	160,112	57,324	11,100	68,424	228,536	191,809
Total Salaries and Related Expenses	<u>287,007</u>	<u>213,171</u>	<u>122,927</u>	<u>55,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>678,276</u>	<u>243,413</u>	<u>124,207</u>	<u>367,620</u>	<u>1,045,896</u>	<u>880,241</u>
<b>Nonsalary Related Expenses:</b>																
Accounting fees	-	-	-	-	-	-	-	-	-	-	-	14,700	-	14,700	14,700	24,069
Advertising and marketing	230	-	38,250	-	-	-	-	-	-	-	38,480	-	-	-	38,480	118,997
Banking expenses	21,322	-	-	160	-	-	-	-	-	-	21,482	685	-	685	22,167	19,485
Copier rental expense	958	-	2,538	-	-	-	-	-	-	-	3,496	1,457	-	1,457	4,953	5,259
Cost of sales	873,610	-	-	-	-	-	-	-	-	-	873,610	-	-	-	873,610	845,003
Depreciation	3,722	14,577	80	-	-	-	-	-	-	-	18,379	42	-	42	18,421	18,269
Donor recognition and cultivation	-	-	-	-	-	-	-	-	-	-	-	-	11,636	11,636	11,636	627
Dues and subscriptions	525	-	225	-	-	-	-	-	-	-	750	7,273	110	7,383	8,133	8,873
Employee discounts	14,131	-	-	-	-	-	-	-	-	-	14,131	-	-	-	14,131	12,253
Facilities maintenance	1,198	105,267	-	-	-	-	-	-	-	-	106,465	-	-	-	106,465	98,099
Fees and permits	134	-	110	-	-	-	-	-	-	-	244	1,360	-	1,360	1,604	1,573
Furniture, fixtures and equipment	5,504	7,137	174	391	-	-	-	-	-	-	13,206	2,947	207	3,154	16,360	9,650
Grants expense	197	-	-	81,770	-	-	-	-	-	-	81,967	25,128	-	25,128	107,095	-
Information technology	5,486	883	3,110	-	-	-	-	-	-	-	9,479	7,044	1,690	8,734	18,213	17,557
Insurance	-	-	-	-	-	-	-	-	-	-	-	9,793	-	9,793	9,793	11,278
Legal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,960
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,375
Other expenses	470	-	-	-	-	-	-	-	-	-	470	384	-	384	854	1,004
Outside services	1,570	-	7,293	6,962	208	600	4,924	15,056	-	11,250	47,863	7,058	34,293	41,351	89,214	72,874
Postage and shipping	778	7	68	-	-	-	-	-	-	-	853	1,376	297	1,673	2,526	1,759
Printing	23,221	64	13,733	1,722	-	-	-	-	-	-	38,740	1,472	4,771	6,243	44,983	33,405
Project expenses	-	-	-	375	67,426	3,746	761	-	16,080	-	88,388	-	-	-	88,388	116,643
Rent	2,003	88,457	604	-	-	-	-	-	-	-	91,064	1,187	-	1,187	92,251	93,120
Seminars and training	100	17	20	-	-	-	-	-	-	-	137	1,040	120	1,160	1,297	1,563
Supplies	9,156	100	472	327	-	-	-	-	8	-	10,063	3,350	64	3,414	13,477	12,523
Telecommunications	4,144	5,381	744	92	-	-	-	-	-	-	10,361	2,189	169	2,358	12,719	11,092
Travel and meetings	1,712	33	2,068	11,105	-	-	-	-	-	-	14,918	12,918	4,300	17,218	32,136	56,694
Uniforms	-	2,651	-	-	-	-	-	-	-	-	2,651	-	-	-	2,651	2,948
Utilities	2,580	119,911	779	-	-	-	-	-	-	-	123,270	1,774	-	1,774	125,044	128,487
Volunteer expense	7,209	-	-	-	-	-	-	-	-	-	7,209	-	-	-	7,209	8,125
Total Nonsalary Related Expenses	<u>979,960</u>	<u>344,485</u>	<u>70,268</u>	<u>102,904</u>	<u>67,634</u>	<u>4,346</u>	<u>5,685</u>	<u>15,056</u>	<u>16,088</u>	<u>11,250</u>	<u>1,617,676</u>	<u>103,177</u>	<u>57,657</u>	<u>160,834</u>	<u>1,778,510</u>	<u>1,809,564</u>
<b>TOTAL EXPENSES</b>	<u>\$ 1,266,967</u>	<u>\$ 557,656</u>	<u>\$ 193,195</u>	<u>\$ 158,075</u>	<u>\$ 67,634</u>	<u>\$ 4,346</u>	<u>\$ 5,685</u>	<u>\$ 15,056</u>	<u>\$ 16,088</u>	<u>\$ 11,250</u>	<u>\$ 2,295,952</u>	<u>\$ 346,590</u>	<u>\$ 181,864</u>	<u>\$ 528,454</u>	<u>\$ 2,824,406</u>	<u>\$ 2,689,805</u>