



**FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**



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

**BALBOA PARK CONSERVANCY  
FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**TABLE OF CONTENTS**

	Page
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 15
Supplementary Information:	
Schedule of Functional Expenses - 2017	16
Schedule of Functional Expenses - 2016	17



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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of functional expenses for the years ended June 30, 2017 and 2016, are presented for purposes of additional analysis and are 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.

Leaf & Cole LLP

San Diego, California  
November 14, 2017

**BALBOA PARK CONSERVANCY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>Current Assets:</u></b> (Notes 2 and 3)		
Cash and cash equivalents:		
Unrestricted	\$ 554,277	\$ 689,643
Restricted	421,816	542,209
Total cash and cash equivalents	976,093	1,231,852
Accounts receivable	125,601	137,327
Grants receivable	45,000	15,500
Pledges receivable	97,459	-
Inventories	125,907	97,135
Prepaid expenses	26,057	20,925
Total Current Assets	1,396,117	1,502,739
<b><u>Noncurrent Assets:</u></b> (Notes 2, 3 and 4)		
Pledges receivable, net	301,400	-
Property and equipment, net	227,410	204,095
Total Noncurrent Assets	528,810	204,095
<b>TOTAL ASSETS</b>	<b>\$ 1,924,927</b>	<b>\$ 1,706,834</b>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Note 2)		
Accounts payable and accrued expenses	\$ 129,294	\$ 208,738
Prepaid rents	22,947	26,153
Total Current Liabilities	152,241	234,891
<b><u>Commitments</u></b> (Notes 6 and 10)		
<b><u>Net Assets:</u></b> (Notes 2, 7 and 8)		
Unrestricted:		
Unrestricted	648,598	648,256
Board designated	281,760	281,478
Total Unrestricted	930,358	929,734
Temporarily restricted	842,328	542,209
Total Net Assets	1,772,686	1,471,943
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,924,927</b>	<b>\$ 1,706,834</b>

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

**BALBOA PARK CONSERVANCY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b><u>Revenue and Support:</u></b>						
Retail operations	\$ 1,373,973	\$ -	\$ 1,373,973	\$ 1,361,643	\$ -	\$ 1,361,643
Rental income	937,481	-	937,481	952,803	-	952,803
Contributions	192,560	548,170	740,730	189,845	59,639	249,484
Grants	95,154	75,000	170,154	80,458	202,666	283,124
Miscellaneous income	77,902	-	77,902	20,068	-	20,068
In-kind contributions	65,714	-	65,714	10,500	11,655	22,155
Event management fee	45,352	-	45,352	71,696	-	71,696
Interest income	434	-	434	395	-	395
Net assets released from retrictions	323,051	(323,051)	-	120,059	(120,059)	-
<b>Total Revenue and Support</b>	<b>3,111,621</b>	<b>300,119</b>	<b>3,411,740</b>	<b>2,807,467</b>	<b>153,901</b>	<b>2,961,368</b>
<b><u>Expenses:</u></b>						
<b><u>Program Expenses:</u></b>						
Retail operations and guest services	1,271,983	-	1,271,983	1,266,967	-	1,266,967
House of Hospitality historic facilities and gardens	568,004	-	568,004	557,656	-	557,656
Park activation	221,803	-	221,803	197,541	-	197,541
Other programs	358,997	-	358,997	273,788	-	273,788
<b>Total Program Expenses</b>	<b>2,420,787</b>	<b>-</b>	<b>2,420,787</b>	<b>2,295,952</b>	<b>-</b>	<b>2,295,952</b>
<b><u>Supporting Services:</u></b>						
General and administrative	315,002	-	315,002	346,590	-	346,590
Fundraising	375,208	-	375,208	181,864	-	181,864
<b>Total Supporting Services</b>	<b>690,210</b>	<b>-</b>	<b>690,210</b>	<b>528,454</b>	<b>-</b>	<b>528,454</b>
<b>Total Expenses</b>	<b>3,110,997</b>	<b>-</b>	<b>3,110,997</b>	<b>2,824,406</b>	<b>-</b>	<b>2,824,406</b>
Change in Net Assets	624	300,119	300,743	(16,939)	153,901	136,962
Net Assets at Beginning of Year	929,734	542,209	1,471,943	946,673	388,308	1,334,981
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 930,358</b>	<b>\$ 842,328</b>	<b>\$ 1,772,686</b>	<b>\$ 929,734</b>	<b>\$ 542,209</b>	<b>\$ 1,471,943</b>

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

**BALBOA PARK CONSERVANCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 300,743	\$ 136,962
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation	20,340	18,421
<b>(Increase) Decrease in:</b>		
Accounts receivable	11,726	14,273
Grants receivable	(29,500)	(15,500)
Pledges receivable, net	(398,859)	-
Inventories	(28,772)	(9,599)
Prepaid expenses	(5,132)	14,335
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	(79,444)	47,287
Prepaid rents	(3,206)	3,489
Net Cash (Used in) Provided by Operating Activities	<u>(212,104)</u>	<u>209,668</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchases of property and equipment	<u>(43,655)</u>	<u>(6,000)</u>
Net Cash Used in Investing Activities	<u>(43,655)</u>	<u>(6,000)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(255,759)	203,668
Cash and Cash Equivalents at Beginning of Year	<u>1,231,852</u>	<u>1,028,184</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 976,093</u></b>	<b><u>\$ 1,231,852</u></b>

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

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 1 - Organization:**

Balboa Park Conservancy (“The Conservancy”) was organized on November 3, 1923. The Conservancy is the City of San Diego’s partner as advocates for the greater good of Balboa Park. The Conservancy collaborates with and supports all the entities in the park, as a thought convener and organizer for activating and realizing the best interests of the park. The Conservancy’s focus is to sustain the legacy of the park, enhance park assets, and envision the future of the park to benefit both citizens and visitors for decades to come.

**Mission**

The Balboa Park Conservancy’s mission is to provide expertise, advocacy and resources to sustain, enhance and envision Balboa Park in partnership with the City of San Diego and in collaboration with other organizations in the Park and the community.

Our vision is for Balboa Park to become a sustainable, world-class destination where all visitors are inspired, engaged and enriched.

**Goals for Action**

- 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.

The Conservancy’s **guiding principles** are collaboration, transparency, respect and passion.

The Conservancy’s programs include the following:

**Visitors Center: Retail Operations and Guest Services**

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 Visitors 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.

**House of Hospitality: Historic Facilities and Gardens**

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 CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 1 - Organization: (Continued)**

**Park Activation**

The Conservancy provides improvements to and activation of the Park through a series of curated events such as Food Truck Fridays, Fiesta Botanica, Halloween Family Day and Balboa Park December Nights.

**Other Programs**

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.

The Conservancy's other programs that sustain and enhance Balboa Park include the following data driven initiatives:

**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;

**Balboa Park Benefits 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;

**Trees and Reforestation** - a comprehensive Tree Inventory, site specific tree plantings and a CAL Fire funded initiative to plant 500 trees in Balboa Park;

**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.

**Capital Projects: Botanical Building and Gardens**

Using our inclusive stakeholder engagement 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 and Gardens 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.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 1 - Organization: (Continued)**

**Capital Projects: Botanical Building and Gardens (Continued)**

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 \$478,202 of the \$10 million needed for the project at June 30, 2017.

**Note 2 - Significant Accounting Policies:**

**Accounting Method**

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.

**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.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**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, 2017 and 2016.

**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, grants receivable and pledges receivable were fully collectible; therefore, no allowance for doubtful accounts receivable, grants receivable and pledges receivable was recorded at June 30, 2017 and 2016.

**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.

**Capitalization and Depreciation**

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 \$20,340 and \$18,421 for the years ended June 30, 2017 and 2016, 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.

**BALBOA PARK CONSERVANCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**Compensated Absences**

Accumulated unpaid vacation and other employee benefit amounts totaling \$31,246 and \$19,554 at June 30, 2017 and 2016, respectively, are accrued when incurred and included in accounts payable and accrued expenses.

**Revenue Recognition**

**Rental Income**

Advance receipts of rental income are deferred or classified as liabilities until earned. Prepaid rents totaled \$22,947 and \$26,153 at June 30, 2017 and 2016, respectively.

**Contributions**

Contributions are recognized when the donor makes a promise to give in writing to the Conservancy that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets. When the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**Grants**

The Conservancy was the recipient of grants in the amounts of \$72,154 and \$75,458 for the years ended June 30, 2017 and 2016, respectively, from the City of San Diego Commission for Arts and Culture, for the purpose of supporting the Balboa Park December Nights Event (Note 6). These have been recorded as grants revenue and grants expense for the years ended June 30, 2017 and 2016, respectively.

The Conservancy has received a grant which payments are contingent on The Conservancy completing each phase of the agreement. The grant totaling \$164,890 has not been recorded at June 30, 2017. The grant will be recorded as grant revenue when the conditions for payment are met.

**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.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**In-Kind Contributions (Continued)**

The Conservancy has received donations for professional services. The professional services are recorded at their fair value and totaled \$39,750 and \$-0- for the years ended June 30, 2017 and 2016, 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 \$25,964 and \$22,155, for the years ended June 30, 2017 and 2016, respectively. The amounts have been included in both revenue and expense in the accompanying financial statements.

**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, 2017, 2016, 2015 and 2014 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 statements of cash flows, The Conservancy considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**Subsequent Events**

The Conservancy has evaluated events through November 14, 2017, 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 except as disclosed in Note 11.

**Note 3 - Pledges Receivable:**

Pledges receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Current:		
Due in less than one year	\$ 97,459	\$ -
Noncurrent:		
Due in one to five years	318,567	-
Due in more than five years	200	-
Less: Discount to present value	<u>(17,367)</u>	<u>-</u>
Total Noncurrent, Net	<u>301,400</u>	<u>-</u>
Total Pledges Receivable, Net	<u>\$ 398,859</u>	<u>\$ -</u>

The pledges receivable have been discounted to their present value using a discount rate of 1.84% at June 30, 2017.

**Note 4 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 345,902	\$ 307,247
Furniture and equipment	173,186	162,186
Construction in progress	<u>-</u>	<u>6,000</u>
Subtotal	<u>519,088</u>	<u>475,433</u>
Less: Accumulated depreciation	<u>(291,678)</u>	<u>(271,338)</u>
Property and Equipment, Net	<u>\$ 227,410</u>	<u>\$ 204,095</u>

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 5 - Rental Income:**

The Conservancy leases office and restaurant space under operating leases through May 2022, and other offices under month-to-month leases. Rental income totaled \$937,481 and \$952,803 for the years ended June 30, 2017 and 2016, respectively. The related future minimum lease income is as follows:

<u>Years Ended June 30</u>		
2018	\$	297,238
2019		294,663
2020		118,458
2021		18,045
2022		<u>15,038</u>
Total	\$	<u><u>743,442</u></u>

**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 2016 and 2015, The Conservancy earned \$45,352 and \$71,696, respectively, in event management fees, which has been reported as event management fee in the statements of activities for the years ended June 30, 2017 and 2016, respectively.

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

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

	<u>2017</u>	<u>2016</u>
Capital reserve	\$ 261,516	\$ 261,547
Botanical Building	<u>20,244</u>	<u>19,931</u>
Total Unrestricted – Board Designated Net Assets	<u>\$ 281,760</u>	<u>\$ 281,478</u>

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

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

	<u>2017</u>	<u>2016</u>
Pledges receivable, net	\$ 398,859	\$ -
Botanical Building	317,939	372,947
Tree fund	42,690	50,000
Economic impact report	29,610	29,610
Project management	18,272	-
Nate's Point	14,160	15,567
Park Activation	11,080	45,520
Cultural landscape report	9,718	21,815
Wayfinding and signage	-	6,750
Total Temporarily Restricted Net Assets	<u>\$ 842,328</u>	<u>\$ 542,209</u>

Net assets totaling \$323,051 and \$120,059 were released from donor restrictions for the years ended June 30, 2017 and 2016, respectively, by incurring expenses satisfying the purpose or time restrictions specified by donors.

**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 \$583 and \$830 at June 30, 2017 and 2016, respectively. Distributions made to The Conservancy from the Fund which have been included in contributions totaled \$-0- and \$57,994 for the years ended June 30, 2017 and 2016, respectively.

**Note 10 - Commitments:**

**Employee Benefit Plan**

The Conservancy has established a 403(b) Plan covering full-time employees who have completed 180 days of service. 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 \$14,417 and \$13,719 to the Plan for the years ending June 30, 2017 and 2016, respectively.



**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 10 - Commitments: (Continued)**

**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 \$90,930 and \$92,251 for the years ended June 30, 2017 and 2016, respectively. The following is a schedule of future minimum lease payments under the lease:

<u>Years Ended</u> <u>June 30</u>	
2018	\$ 70,101
2019	<u>17,525</u>
Total	<u><u>\$ 87,626</u></u>

**Note 11 - Subsequent Event:**

On August 10, 2017 the Conservancy entered into an agreement to pay a consulting firm \$149,900 to provide design services for signage throughout Balboa Park.

**BALBOA PARK CONSERVANCY  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Expenses										Supporting Services				
	Retail Operations	Facilities	Park Activation	Other Programs						Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total 2017	
				Planning, Design and Outreach	Botanical Building	Cultural Landscape	Nate's Point	Wayfinding and Signage	Project Management						Tree Fund
<b>Salaries and Related Expenses:</b>															
Salaries and wages	\$ 246,734	\$ 154,313	\$ 74,007	\$ 53,118	\$ -	\$ -	\$ -	\$ -	\$ 52,788	\$ -	\$ 580,960	\$ 186,444	\$ 201,848	\$ 388,292	\$ 969,252
Payroll taxes and employee benefits	78,664	57,994	8,696	16,030	-	-	-	-	3,940	-	165,324	42,580	37,116	79,696	245,020
Total Salaries and Related Expenses	<u>325,398</u>	<u>212,307</u>	<u>82,703</u>	<u>69,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,728</u>	<u>-</u>	<u>746,284</u>	<u>229,024</u>	<u>238,964</u>	<u>467,988</u>	<u>1,214,272</u>
<b>Nonsalary Related Expenses:</b>															
Accounting fees	-	-	-	-	-	-	-	-	-	-	-	14,700	-	14,700	14,700
Advertising and marketing	85	-	69,661	-	-	-	-	-	-	-	69,746	-	-	-	69,746
Banking expenses	22,213	-	-	818	-	-	-	-	-	-	23,031	645	2,751	3,396	26,427
Copier rental expense	1,068	-	2,813	-	-	-	-	-	-	-	3,881	1,440	-	1,440	5,321
Cost of sales	833,701	-	-	-	-	-	-	-	-	-	833,701	-	-	-	833,701
Depreciation	3,725	14,393	141	999	-	-	-	-	-	-	19,258	83	999	1,082	20,340
Donor recognition and cultivation	-	-	-	-	-	-	-	-	-	-	-	-	32,289	32,289	32,289
Dues and subscriptions	576	-	800	60	-	-	-	-	-	-	1,436	8,544	770	9,314	10,750
Employee discounts	13,298	-	-	-	-	-	-	-	-	-	13,298	-	-	-	13,298
Facilities maintenance	2,424	114,771	-	-	-	-	-	-	-	-	117,195	-	-	-	117,195
Fees and permits	134	960	863	-	-	-	-	-	-	-	1,957	1,608	-	1,608	3,565
Furniture, fixtures and equipment	4,614	6,212	1,518	2,631	-	-	-	-	-	-	14,975	6,958	7,110	14,068	29,043
Grants expense	261	-	-	92,804	-	-	-	-	-	-	93,065	-	-	-	93,065
Information technology	5,205	651	4,594	1,752	-	-	-	-	-	-	12,202	2,480	9,469	11,949	24,151
Insurance	-	-	-	-	-	-	-	-	-	-	-	9,098	-	9,098	9,098
Other expenses	223	155	-	35	-	-	-	-	-	-	413	1,073	55	1,128	1,541
Outside services	4,014	3,058	23,431	12,047	-	17,020	1,215	6,750	-	8,952	76,487	7,547	34,836	42,383	118,870
Postage and shipping	489	9	241	-	-	-	-	-	-	-	739	888	229	1,117	1,856
Printing	23,712	-	2,032	2,643	-	-	115	-	-	-	28,502	861	4,029	4,890	33,392
Project expenses	-	-	30,000	-	68,328	77	77	-	-	5,610	104,092	-	-	-	104,092
Rent	1,886	87,196	283	157	-	-	-	-	-	-	89,522	833	575	1,408	90,930
Seminars and training	140	-	-	-	-	-	-	-	-	-	140	1,638	26,556	28,194	28,334
Supplies	11,656	152	1,859	599	-	-	-	-	-	-	14,266	3,893	701	4,594	18,860
Telecommunications	4,404	5,959	384	784	-	-	-	-	-	-	11,531	1,571	1,104	2,675	14,206
Travel and meetings	1,433	46	480	9,648	-	-	-	-	-	-	11,607	22,118	14,771	36,889	48,496
Uniforms	1,700	1,995	-	-	-	-	-	-	-	-	3,695	-	-	-	3,695
Utilities	-	120,140	-	-	-	-	-	-	-	-	120,140	-	-	-	120,140
Volunteer expense	9,624	-	-	-	-	-	-	-	-	-	9,624	-	-	-	9,624
Total Nonsalary Related Expenses	<u>946,585</u>	<u>355,697</u>	<u>139,100</u>	<u>124,977</u>	<u>68,328</u>	<u>17,097</u>	<u>1,407</u>	<u>6,750</u>	<u>-</u>	<u>14,562</u>	<u>1,674,503</u>	<u>85,978</u>	<u>136,244</u>	<u>222,222</u>	<u>1,896,725</u>
<b>TOTAL EXPENSES</b>	<u>\$ 1,271,983</u>	<u>\$ 568,004</u>	<u>\$ 221,803</u>	<u>\$ 194,125</u>	<u>\$ 68,328</u>	<u>\$ 17,097</u>	<u>\$ 1,407</u>	<u>\$ 6,750</u>	<u>\$ 56,728</u>	<u>\$ 14,562</u>	<u>\$ 2,420,787</u>	<u>\$ 315,002</u>	<u>\$ 375,208</u>	<u>\$ 690,210</u>	<u>\$ 3,110,997</u>

**BALBOA PARK CONSERVANCY  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Expenses									Supporting Services				
	Retail Operations	Facilities	Park Activation	Planning, Design and Outreach	Botanical Building	Cultural Landscape	Economic Impact	Nate's Point	Wayfinding and Signage	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total 2016
<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
Payroll taxes and employee benefits	72,787	58,012	25,392	3,921	-	-	-	-	-	160,112	57,324	11,100	68,424	228,536
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>678,276</u>	<u>243,413</u>	<u>124,207</u>	<u>367,620</u>	<u>1,045,896</u>
<b>Nonsalary Related Expenses:</b>														
Accounting fees	-	-	-	-	-	-	-	-	-	-	14,700	-	14,700	14,700
Advertising and marketing	230	-	38,250	-	-	-	-	-	-	38,480	-	-	-	38,480
Banking expenses	21,322	-	-	160	-	-	-	-	-	21,482	685	-	685	22,167
Copier rental expense	958	-	2,538	-	-	-	-	-	-	3,496	1,457	-	1,457	4,953
Cost of sales	873,610	-	-	-	-	-	-	-	-	873,610	-	-	-	873,610
Depreciation	3,722	14,577	80	-	-	-	-	-	-	18,379	42	-	42	18,421
Donor recognition and cultivation	-	-	-	-	-	-	-	-	-	-	-	11,636	11,636	11,636
Dues and subscriptions	525	-	225	-	-	-	-	-	-	750	7,273	110	7,383	8,133
Employee discounts	14,131	-	-	-	-	-	-	-	-	14,131	-	-	-	14,131
Facilities maintenance	1,198	105,267	-	-	-	-	-	-	-	106,465	-	-	-	106,465
Fees and permits	134	-	110	-	-	-	-	-	-	244	1,360	-	1,360	1,604
Furniture, fixtures and equipment	5,504	7,137	174	391	-	-	-	-	-	13,206	2,947	207	3,154	16,360
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
Insurance	-	-	-	-	-	-	-	-	-	-	9,793	-	9,793	9,793
Other expenses	470	-	-	-	-	-	-	-	-	470	384	-	384	854
Outside services	1,570	-	7,893	6,962	208	4,924	15,056	-	11,250	47,863	7,058	34,293	41,351	89,214
Postage and shipping	778	7	68	-	-	-	-	-	-	853	1,376	297	1,673	2,526
Printing	23,221	64	13,733	1,722	-	-	-	-	-	38,740	1,472	4,771	6,243	44,983
Project expenses	-	-	3,746	375	67,426	761	-	16,080	-	88,388	-	-	-	88,388
Rent	2,003	88,457	604	-	-	-	-	-	-	91,064	1,187	-	1,187	92,251
Seminars and training	100	17	20	-	-	-	-	-	-	137	1,040	120	1,160	1,297
Supplies	9,156	100	472	327	-	-	-	8	-	10,063	3,350	64	3,414	13,477
Telecommunications	4,144	5,381	744	92	-	-	-	-	-	10,361	2,189	169	2,358	12,719
Travel and meetings	1,712	33	2,068	11,105	-	-	-	-	-	14,918	12,918	4,300	17,218	32,136
Uniforms	-	2,651	-	-	-	-	-	-	-	2,651	-	-	-	2,651
Utilities	2,580	119,911	779	-	-	-	-	-	-	123,270	1,774	-	1,774	125,044
Volunteer expense	7,209	-	-	-	-	-	-	-	-	7,209	-	-	-	7,209
Total Nonsalary Related Expenses	<u>979,960</u>	<u>344,485</u>	<u>74,614</u>	<u>102,904</u>	<u>67,634</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>
<b>TOTAL EXPENSES</b>	<u>\$ 1,266,967</u>	<u>\$ 557,656</u>	<u>\$ 197,541</u>	<u>\$ 158,075</u>	<u>\$ 67,634</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>