



FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



Leaf & Cole, LLP
Certified Public Accountants

**BALBOA PARK CONSERVANCY
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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.

To the Board of Directors
Balboa Park Conservancy

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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, 2019 and 2018, 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.

Leaf & Cole LLP

San Diego, California
November 12, 2019

**BALBOA PARK CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS	<u>2019</u>	<u>2018</u>
<u>Current Assets:</u> (Notes 2 and 4)		
Cash and cash equivalents:		
Unrestricted	\$ 260,952	\$ 203,327
Restricted	1,021,127	660,550
Total cash and cash equivalents	<u>1,282,079</u>	<u>863,877</u>
Accounts receivable	154,716	173,724
Grants receivable	40,147	17,912
Pledges receivable	616,633	118,263
Inventories	107,499	144,360
Prepaid expenses	18,040	19,621
Total Current Assets	<u>2,219,114</u>	<u>1,337,757</u>
<u>Noncurrent Assets:</u> (Notes 2, 4 and 5)		
Pledges receivable, net	471,851	257,644
Property and equipment, net	<u>205,670</u>	<u>215,208</u>
Total Noncurrent Assets	<u>677,521</u>	<u>472,852</u>
TOTAL ASSETS	<u>\$ 2,896,635</u>	<u>\$ 1,810,609</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Note 2)		
Accounts payable and accrued expenses	\$ 276,532	\$ 191,585
Prepaid rents	545	22,517
Total Current Liabilities	<u>277,077</u>	<u>214,102</u>
<u>Commitments</u> (Note 10)		
<u>Net Assets:</u> (Notes 2, 8 and 9)		
Without Donor Restrictions:		
Undesignated	529,123	542,138
Board designated funds	286,442	282,230
Total Without Donor Restrictions	<u>815,565</u>	<u>824,368</u>
With Donor Restrictions:		
Purpose restrictions	715,509	396,232
Time restrictions	1,088,484	375,907
Total With Donor Restrictions	<u>1,803,993</u>	<u>772,139</u>
Total Net Assets	<u>2,619,558</u>	<u>1,596,507</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,896,635</u>	<u>\$ 1,810,609</u>

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

**BALBOA PARK CONSERVANCY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions	\$ 365,583	\$ 1,065,626	\$ 1,431,209	\$ 236,305	\$ 186,545	\$ 422,850
Retail operations	1,345,142	-	1,345,142	1,288,655	-	1,288,655
Rental income	976,322	-	976,322	1,007,871	-	1,007,871
In-kind contributions	666,330	157,846	824,176	706,847	51,891	758,738
Grants	-	511,366	511,366	89,277	253,951	343,228
Miscellaneous income	132,060	-	132,060	101,827	-	101,827
Interest income	4,212	-	4,212	471	-	471
Event management fee	-	-	-	42,387	-	42,387
Net assets released from restrictions	702,984	(702,984)	-	562,576	(562,576)	-
Total Revenue and Support	<u>4,192,633</u>	<u>1,031,854</u>	<u>5,224,487</u>	<u>4,036,216</u>	<u>(70,189)</u>	<u>3,966,027</u>
Expenses:						
Program Expenses:						
Retail operations	1,239,095	-	1,239,095	1,207,483	-	1,207,483
Facilities	608,713	-	608,713	603,013	-	603,013
Park activation	842,480	-	842,480	902,783	-	902,783
Park improvement	683,624	-	683,624	633,456	-	633,456
Total Program Expenses	<u>3,373,912</u>	<u>-</u>	<u>3,373,912</u>	<u>3,346,735</u>	<u>-</u>	<u>3,346,735</u>
Supporting Services:						
General and administrative	343,725	-	343,725	380,803	-	380,803
Fundraising	483,799	-	483,799	414,668	-	414,668
Total Supporting Services	<u>827,524</u>	<u>-</u>	<u>827,524</u>	<u>795,471</u>	<u>-</u>	<u>795,471</u>
Total Expenses	<u>4,201,436</u>	<u>-</u>	<u>4,201,436</u>	<u>4,142,206</u>	<u>-</u>	<u>4,142,206</u>
Change in Net Assets	(8,803)	1,031,854	1,023,051	(105,990)	(70,189)	(176,179)
Net Assets at Beginning of Year	824,368	772,139	1,596,507	930,358	842,328	1,772,686
NET ASSETS AT END OF YEAR	<u>\$ 815,565</u>	<u>\$ 1,803,993</u>	<u>\$ 2,619,558</u>	<u>\$ 824,368</u>	<u>\$ 772,139</u>	<u>\$ 1,596,507</u>

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

**BALBOA PARK CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Expenses				Supporting Services				
	Retail Operations	Facilities	Park Activation	Park Improvement	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:									
Salaries and wages	\$ 262,072	\$ 158,798	\$ 82,247	\$ 159,896	\$ 663,013	\$ 216,687	\$ 263,536	\$ 480,223	\$ 1,143,236
Payroll taxes and employee benefits	83,550	56,289	9,614	29,763	179,216	42,521	51,415	93,936	273,152
Total Salaries and Related Expenses	<u>345,622</u>	<u>215,087</u>	<u>91,861</u>	<u>189,659</u>	<u>842,229</u>	<u>259,208</u>	<u>314,951</u>	<u>574,159</u>	<u>1,416,388</u>
Nonsalary Related Expenses:									
Accounting fees	-	-	-	-	-	14,700	-	14,700	14,700
Advertising and marketing	-	-	666,640	-	666,640	-	-	-	666,640
Banking expenses	23,171	-	4,292	-	27,463	96	3,258	3,354	30,817
Copier rental expense	1,073	-	672	653	2,398	443	1,160	1,603	4,001
Cost of sales	777,995	-	-	-	777,995	-	-	-	777,995
Depreciation	3,725	13,161	994	6,089	23,969	994	6,915	7,909	31,878
Donor recognition and cultivation	-	-	-	-	-	-	42,721	42,721	42,721
Dues and subscriptions	595	-	448	3,237	4,280	8,829	1,013	9,842	14,122
Employee discounts	18,950	-	-	-	18,950	-	-	-	18,950
Facilities maintenance	-	116,735	-	-	116,735	-	-	-	116,735
Fees and permits	157	50	567	7	781	7,095	7	7,102	7,883
Furniture, fixtures and equipment	1,070	2,949	4,666	7,863	16,548	3,107	1,797	4,904	21,452
Grants expense	289	-	-	5,150	5,439	-	150	150	5,589
Information technology	8,306	1,010	2,595	5,973	17,884	1,782	9,165	10,947	28,831
Insurance	-	-	505	226	731	11,892	-	11,892	12,623
Legal	-	-	-	-	-	15,696	-	15,696	15,696
Other expenses	1,258	1,310	223	257	3,048	610	489	1,099	4,147
Outside services	6,262	15,033	55,982	336,831	414,108	2,149	42,751	44,900	459,008
Postage and shipping	428	-	4	52	484	994	883	1,877	2,361
Printing	21,543	-	4,014	5,705	31,262	311	4,005	4,316	35,578
Project expenses	-	-	5,498	67,316	72,814	-	-	-	72,814
Rent	-	94,905	-	-	94,905	-	-	-	94,905
Seminars and training	194	94	23	183	494	210	43,048	43,258	43,752
Supplies	10,932	159	1,814	34,617	47,522	4,071	3,689	7,760	55,282
Telecommunications	3,361	8,301	384	1,597	13,643	2,368	1,569	3,937	17,580
Travel, meetings and conferences	1,160	87	1,298	16,287	18,832	9,170	6,228	15,398	34,230
Uniforms	1,059	1,347	-	750	3,156	-	-	-	3,156
Utilities	-	138,485	-	-	138,485	-	-	-	138,485
Volunteer expense	11,945	-	-	1,172	13,117	-	-	-	13,117
Total Nonsalary Related Expenses	<u>893,473</u>	<u>393,626</u>	<u>750,619</u>	<u>493,965</u>	<u>2,531,683</u>	<u>84,517</u>	<u>168,848</u>	<u>253,365</u>	<u>2,785,048</u>
Total Expenses	<u>\$ 1,239,095</u>	<u>\$ 608,713</u>	<u>\$ 842,480</u>	<u>\$ 683,624</u>	<u>\$ 3,373,912</u>	<u>\$ 343,725</u>	<u>\$ 483,799</u>	<u>\$ 827,524</u>	<u>\$ 4,201,436</u>

**BALBOA PARK CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Expenses				Supporting Services				
	Retail Operations	Facilities	Park Activation	Park Improvement	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:									
Salaries and wages	\$ 245,859	\$ 151,420	\$ 80,740	\$ 154,089	\$ 632,108	\$ 230,606	\$ 246,778	\$ 477,384	\$ 1,109,492
Payroll taxes and employee benefits	83,757	55,694	9,498	27,047	175,996	38,728	42,184	80,912	256,908
Total Salaries and Related Expenses	<u>329,616</u>	<u>207,114</u>	<u>90,238</u>	<u>181,136</u>	<u>808,104</u>	<u>269,334</u>	<u>288,962</u>	<u>558,296</u>	<u>1,366,400</u>
Nonsalary Related Expenses:									
Accounting fees	-	-	-	-	-	14,700	-	14,700	14,700
Advertising and marketing	-	-	669,067	-	669,067	-	-	-	669,067
Banking expenses	21,241	-	2,272	-	23,513	105	3,380	3,485	26,998
Copier rental expense	1,073	-	664	645	2,382	440	1,151	1,591	3,973
Cost of sales	755,072	-	-	-	755,072	-	-	-	755,072
Depreciation	3,725	14,082	998	4,145	22,950	972	4,821	5,793	28,743
Donor recognition and cultivation	-	-	-	-	-	-	32,784	32,784	32,784
Dues and subscriptions	835	-	690	2,779	4,304	8,359	641	9,000	13,304
Employee discounts	20,247	-	-	-	20,247	-	-	-	20,247
Facilities maintenance	-	102,983	-	-	102,983	-	-	-	102,983
Fees and permits	147	50	1,486	5	1,688	5,937	-	5,937	7,625
Furniture, fixtures and equipment	5,442	145	2,287	6,945	14,819	192	219	411	15,230
Grants expense	94	-	81,277	15,550	96,921	-	-	-	96,921
Information technology	9,835	907	2,464	4,585	17,791	1,832	9,607	11,439	29,230
Insurance	-	-	-	-	-	11,125	-	11,125	11,125
Legal	-	-	-	-	-	49,996	-	49,996	49,996
Other expenses	1,192	2,657	111	214	4,174	460	493	953	5,127
Outside services	3,046	36,994	43,957	351,982	435,979	325	27,761	28,086	464,065
Postage and shipping	177	14	497	37	725	916	688	1,604	2,329
Printing	24,993	234	3,335	2,288	30,850	1,410	2,686	4,096	34,946
Project expenses	-	-	298	29,005	29,303	-	-	-	29,303
Rent	-	98,245	-	-	98,245	-	-	-	98,245
Seminars and training	249	-	43	70	362	44	26,085	26,129	26,491
Supplies	11,934	815	864	11,342	24,955	3,614	4,223	7,837	32,792
Telecommunications	4,671	6,567	382	1,050	12,670	2,480	1,564	4,044	16,714
Travel and meetings	1,803	38	1,853	21,678	25,372	8,562	9,603	18,165	43,537
Uniforms	2,041	1,728	-	-	3,769	-	-	-	3,769
Utilities	-	130,440	-	-	130,440	-	-	-	130,440
Volunteer expense	10,050	-	-	-	10,050	-	-	-	10,050
Total Nonsalary Related Expenses	<u>877,867</u>	<u>395,899</u>	<u>812,545</u>	<u>452,320</u>	<u>2,538,631</u>	<u>111,469</u>	<u>125,706</u>	<u>237,175</u>	<u>2,775,806</u>
Total Expenses	<u>\$ 1,207,483</u>	<u>\$ 603,013</u>	<u>\$ 902,783</u>	<u>\$ 633,456</u>	<u>\$ 3,346,735</u>	<u>\$ 380,803</u>	<u>\$ 414,668</u>	<u>\$ 795,471</u>	<u>\$ 4,142,206</u>

**BALBOA PARK CONSERVANCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 1,023,051	\$ (176,179)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	31,878	28,743
(Increase) Decrease in:		
Accounts receivable	19,008	(48,123)
Grants receivable	(22,235)	27,088
Pledges receivable, net	(712,577)	22,952
Inventories	36,861	(18,453)
Prepaid expenses	1,581	6,436
Increase (Decrease) in:		
Accounts payable and accrued expenses	84,947	62,291
Prepaid rents	(21,972)	(430)
Net Cash Provided by (Used in) Operating Activities	<u>440,542</u>	<u>(95,675)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of property and equipment	<u>(22,340)</u>	<u>(16,541)</u>
Net Cash Used in Investing Activities	<u>(22,340)</u>	<u>(16,541)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	418,202	(112,216)
Cash and Cash Equivalents at Beginning of Year	<u>863,877</u>	<u>976,093</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,282,079</u>	<u>\$ 863,877</u>

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

**BALBOA PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 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 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 Balboa 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, passion and knowledge.

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 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.

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 Balboa Park Visitors Center is housed in the House of Hospitality, along with the Balboa Park Conservancy office, The Prado Restaurant, a ballroom and meeting rooms, and offices for cultural and educational organizations operating within the Park. The House of Hospitality serves visitors numbering over 1,000,000 each year.

**BALBOA PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 1 - Organization: (Continued)

Park Activation

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

Park Improvement

The Conservancy's process for selecting Park Improvement 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 and projects that sustain and enhance Balboa Park include the following data-driven initiatives:

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.

Gardens Enhancement - upgraded gardens throughout the Park, including significant improvements to the Cactus Garden elevating the stature of this neglected garden. Secured plans and funding for Alcazar Garden improvements, facilitated fountain repair, convened experts for Rose Garden planning. Created an informational brochure for Park visitors.

Volunteer Engagement - recruit and train volunteers for the Park Ambassadors, Tree Stewards and Tour Guides as well as to perform other vital functions within the Park. Provide the necessary resources to volunteers to enable them to perform their duties.

Nate's Point - created a safer and more secure dog park space and improved the overall aesthetics of this gateway section of the Park's West Mesa that millions of visitors pass by each year.

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.

**BALBOA PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 1 - Organization: (Continued)

Capital Projects: Botanical Building and Gardens (Continued)

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.

The Conservancy has completed the restoration plans for the building and gardens, which have been approved by the City of San Diego. Additionally, the Conservancy developed a comprehensive recognition program, in accordance with new guidelines, and approved by the City of San Diego. The next phase of the project entails the creation of a Programmatic Plan, which will help guide the long-term programming, financing, management, and care of the historic facility. While the programmatic plan is being developed, Conservancy staff and board members continue to pursue funding opportunities for leadership and support gifts to advance the project.

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2019 AND 2018**

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, 2019 and 2018.

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, 2019 and 2018.

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 net realizable value.

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 support without donor restrictions 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 support with donor restrictions. Absent donor stipulations regarding how 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 net assets with donor restrictions to net assets without donor restrictions 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	5 - 10 years

Depreciation expense totaled \$31,878 and \$28,743 for the years ended June 30, 2019 and 2018, 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, 2019 AND 2018

Note 2 - Significant Accounting Policies: (Continued)

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts totaling \$55,949 and \$50,627 at June 30, 2019 and 2018, 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 \$545 and \$22,517 at June 30, 2019 and 2018, 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 without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions. 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.

Grant

The Conservancy was the recipient of a grant in the amount of \$81,277 for the year ended June 30, 2018, from the City of San Diego Commission for Arts and Culture, for the purpose of supporting the Balboa Park December Nights Event (Note 7). This has been recorded as grants revenue and grants expense for the year ended June 30, 2018.

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 of professional services. The professional services are recorded at their fair value and totaled \$177,791 and \$124,580 for the years ended June 30, 2019 and 2018, 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, 2019 AND 2018**

Note 2 - Significant Accounting Policies: (Continued)

In-Kind Contributions (Continued)

The Conservancy has received donations of landscaping, advertising, and furniture, fixtures and equipment during the year. The donations are recorded at their fair value and totaled \$646,385 and \$634,158, for the years ended June 30, 2019 and 2018, respectively. The amounts have been included in both revenue and expense in the accompanying financial statements.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services based on a cost allocation plan that allocates costs based on 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, 2019, 2018, 2017 and 2016 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, 2019 AND 2018**

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Conservancy has adopted this ASU as of and for the year ended June 30, 2019.

Subsequent Events

In preparing these financial statements, The Conservancy has evaluated events and transactions for potential recognition or disclosure through November 12, 2019, 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, 2019 AND 2018**

Note 3 - Liquidity and Availability:

The Conservancy regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Conservancy considers investment income without donor restrictions, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, The Conservancy considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure within one year, are comprised of the following at June 30, 2019:

Financial assets as year-end:		
Cash and cash equivalents		\$ 1,282,079
Accounts receivable		154,716
Grants receivable		40,147
Pledges receivable		616,633
Total financial assets		<u>2,093,575</u>
Less: amounts not available to be used for operations within one year:		
Botanical building donor-restricted		(358,933)
Board-designated purposes		(286,442)
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 1,448,200</u>

In addition, The Conservancy operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Conservancy's governing board has designated a portion of its resources without donor restrictions for an operating reserve as described in Note 8. The amounts not expected to be used for operations within one year are identified as cash held for board-designated purposes in the table above. These funds are held in highly liquid cash and cash equivalents but remain available and may be spent at the discretion of the Board of Directors.

Note 4 - Pledges Receivable:

Pledges receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Current:		
Due in less than one year	<u>\$ 616,633</u>	<u>\$ 118,263</u>
Noncurrent:		
Due in one to five years	477,544	266,694
Due in more than five years	26,991	6,150
Less: Discount to present value	<u>(32,684)</u>	<u>(15,200)</u>
Total Noncurrent, Net	<u>471,851</u>	<u>257,644</u>
Total Pledges Receivable, Net	<u>\$ 1,088,484</u>	<u>\$ 375,907</u>

The pledges receivable have been discounted to their present value using a discount rate of 1.84% at June 30, 2019 and 2018.

**BALBOA PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 5 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 344,062	\$ 344,062
Furniture and equipment	<u>189,425</u>	<u>167,085</u>
Subtotal	533,487	511,147
Less: Accumulated depreciation	<u>(327,817)</u>	<u>(295,939)</u>
Property and Equipment, Net	<u>\$ 205,670</u>	<u>\$ 215,208</u>

Note 6 - 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 \$976,322 and \$1,007,871 for the years ended June 30, 2019 and 2018, respectively. The related future minimum lease income is as follows:

<u>Years Ended June 30</u>	
2020	\$ 138,931
2021	18,045
2022	<u>16,541</u>
Total	<u>\$ 173,517</u>

Note 7 - 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 expired on April 30, 2018.

In accordance with the agreement with the City of San Diego, The Conservancy was paid sixty percent (60%) of the net event proceeds as an event management fee. For the December Nights Event held in December 2018, The Conservancy earned \$42,387, in event management fees, which has been reported as event management fee in the statements of activities for the year ended June 30, 2018.

Note 8 - Board-Designated Funds:

The Board has designated a portion of its resources without donor restrictions for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Capital reserve	\$ 263,477	\$ 261,720
Botanical Building	<u>22,965</u>	<u>20,510</u>
Total Board-Designated Funds	<u>\$ 286,442</u>	<u>\$ 282,230</u>

**BALBOA PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 9 - Net Assets with Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by The Conservancy, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Botanical Building	\$ 358,933	\$ 345,709
Garden funds	216,903	7,000
Tree fund	64,817	-
Park improvement	47,850	-
Shuttle stop	16,479	16,479
Volunteer engagement	5,150	-
Membership program	3,275	-
Economic impact report	2,102	2,102
Nate's point	-	14,160
Park Activation	-	10,782
Total Subject to Expenditure For Specified Purpose	<u>715,509</u>	<u>396,232</u>
Subject to the Passage of Time:		-
Pledges receivable, net	<u>1,088,484</u>	<u>375,907</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,803,993</u>	<u>\$ 772,139</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Purpose Restrictions Accomplished:		
Tree fund	\$ 338,943	\$ 136,922
Garden fund	57,223	3,017
Volunteer engagement	23,663	18,272
Nate's point	26,455	-
Wayfinding and signage	24,770	141,240
Park Mobility	20,000	-
Botanical Building	11,776	2,230
Park Activation	10,782	298
Membership program	8,725	-
Support of other Park entities	4,650	-
Economic impact report	-	27,508
Cultural landscape report	-	9,718
Time Restrictions Fulfilled	<u>175,997</u>	<u>223,371</u>
Total Net Assets Released from Restrictions	<u>\$ 702,984</u>	<u>\$ 562,576</u>

**BALBOA PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 10 - Commitments:

Employee Benefit Plan

The Conservancy has established a 403(b) Plan (the “Plan”) covering full-time employees. Employees may defer a percentage of their annual compensation, not to exceed the annual amount allowed by law. The Conservancy makes a matching contribution equal to 100% of employee salary deferrals not to exceed 3% of employee compensation after 6 months of service. The Conservancy contributed \$27,756 and \$18,294 to the Plan for the years ending June 30, 2019 and 2018, respectively.

Operating Lease

The Conservancy had a noncancelable operating lease agreement with the City of San Diego for the period October 1997 through September 2018 and now leases the facilities on a month-to-month basis. The Conservancy pays a monthly minimum rent plus percentage rent based on certain income generated by the leased facilities. The lease agreement with the City of San Diego is being renegotiated as of June 30, 2019. Rent expense for this lease totaled \$94,904 and \$98,245 for the years ended June 30, 2019 and 2018, respectively.