



**FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**



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

**BALBOA PARK CONSERVANCY  
FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and 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 10, 2020

**BALBOA PARK CONSERVANCY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

ASSETS	<u>2020</u>	<u>2019</u>
<b><u>Current Assets:</u></b> (Notes 2 and 4)		
Cash and cash equivalents:		
Unrestricted	\$ 386,586	\$ 260,952
Restricted	1,510,306	1,021,127
Total cash and cash equivalents	1,896,892	1,282,079
Accounts receivable	9,770	154,716
Grants receivable	32,159	40,147
Pledges receivable	215,452	616,633
Inventories	123,587	107,499
Prepaid expenses	5,844	18,040
Total Current Assets	2,283,704	2,219,114
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4 and 5)		
Pledges receivable, net	421,388	471,851
Property and equipment, net	172,400	205,670
Total Noncurrent Assets	593,788	677,521
<b>TOTAL ASSETS</b>	<b>\$ 2,877,492</b>	<b>\$ 2,896,635</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Current Liabilities:</u></b> (Notes 2 and 9)		
Accounts payable and accrued expenses	\$ 242,808	\$ 276,532
Deferred revenue	246,112	-
Prepaid rents	13,305	545
Total Current Liabilities	502,225	277,077
<b><u>Commitments and Contingencies</u></b> (Note 9)		
<b><u>Net Assets:</u></b> (Notes 2, 7 and 8)		
Without Donor Restrictions:		
Undesignated	267,375	529,123
Board designated funds	736,037	286,442
Total Without Donor Restrictions	1,003,412	815,565
With Donor Restrictions:		
Purpose restrictions	735,015	715,509
Time restrictions	636,840	1,088,484
Total With Donor Restrictions	1,371,855	1,803,993
Total Net Assets	2,375,267	2,619,558
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,877,492</b>	<b>\$ 2,896,635</b>

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

**BALBOA PARK CONSERVANCY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Revenue and Support:</u></b>						
Retail operations	\$ 920,738	\$ -	\$ 920,738	\$ 1,345,142	\$ -	\$ 1,345,142
Contributions	289,904	542,994	832,898	365,583	1,065,626	1,431,209
Rental income	743,196	-	743,196	976,322	-	976,322
Grants	-	553,861	553,861	-	511,366	511,366
In-kind contributions	420,500	82,580	503,080	666,330	157,846	824,176
Other program income	79,700	-	79,700	132,060	-	132,060
Interest income	17,192	-	17,192	4,212	-	4,212
Net assets released from restrictions	1,611,573	(1,611,573)	-	702,984	(702,984)	-
Total Revenue and Support	<u>4,082,803</u>	<u>(432,138)</u>	<u>3,650,665</u>	<u>4,192,633</u>	<u>1,031,854</u>	<u>5,224,487</u>
<b><u>Expenses:</u></b>						
<b><u>Program Expenses:</u></b>						
Park improvement	1,010,829	-	1,010,829	683,624	-	683,624
Retail operations	864,087	-	864,087	1,239,095	-	1,239,095
Park activation	542,881	-	542,881	842,480	-	842,480
Facilities	527,367	-	527,367	608,713	-	608,713
Total Program Expenses	<u>2,945,164</u>	<u>-</u>	<u>2,945,164</u>	<u>3,373,912</u>	<u>-</u>	<u>3,373,912</u>
<b><u>Supporting Services:</u></b>						
General and administrative	395,797	-	395,797	343,725	-	343,725
Fundraising	553,995	-	553,995	483,799	-	483,799
Total Supporting Services	<u>949,792</u>	<u>-</u>	<u>949,792</u>	<u>827,524</u>	<u>-</u>	<u>827,524</u>
Total Expenses	<u>3,894,956</u>	<u>-</u>	<u>3,894,956</u>	<u>4,201,436</u>	<u>-</u>	<u>4,201,436</u>
Change in Net Assets	187,847	(432,138)	(244,291)	(8,803)	1,031,854	1,023,051
Net Assets at Beginning of Year	815,565	1,803,993	2,619,558	824,368	772,139	1,596,507
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,003,412</u>	<u>\$ 1,371,855</u>	<u>\$ 2,375,267</u>	<u>\$ 815,565</u>	<u>\$ 1,803,993</u>	<u>\$ 2,619,558</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, 2020**

	Program Expenses				Supporting Services				
	Retail Operations	Facilities	Park Activation	Park Improvement	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
<b>Salaries and Related Expenses:</b>									
Salaries and wages	\$ 192,931	\$ 132,472	\$ 61,077	\$ 176,750	\$ 563,230	\$ 210,010	\$ 262,925	\$ 472,935	\$ 1,036,165
Payroll taxes and employee benefits	58,634	53,627	8,058	32,474	152,793	44,278	44,371	88,649	241,442
Total Salaries and Related Expenses	<u>251,565</u>	<u>186,099</u>	<u>69,135</u>	<u>209,224</u>	<u>716,023</u>	<u>254,288</u>	<u>307,296</u>	<u>561,584</u>	<u>1,277,607</u>
<b>Nonsalary Related Expenses:</b>									
Accounting fees	-	-	-	-	-	14,700	-	14,700	14,700
Advertising and marketing	-	-	423,618	-	423,618	-	-	-	423,618
Banking expenses	18,069	-	2,694	-	20,763	-	5,349	5,349	26,112
Copier rental expense	1,073	-	681	662	2,416	445	1,167	1,612	4,028
Cost of sales	527,793	-	-	-	527,793	-	-	-	527,793
Depreciation	3,725	13,279	966	6,941	24,911	966	7,393	8,359	33,270
Donor recognition and cultivation	-	-	-	-	-	-	47,668	47,668	47,668
Dues and subscriptions	645	-	565	2,455	3,665	9,235	1,120	10,355	14,020
Employee discounts	9,632	-	-	-	9,632	-	-	-	9,632
Facilities maintenance	-	90,948	-	-	90,948	-	-	-	90,948
Fees and permits	170	50	612	-	832	7,381	-	7,381	8,213
Furniture, fixtures and equipment	2,724	311	950	8,546	12,531	2,409	3,250	5,659	18,190
Grants expense	55	-	-	2,240	2,295	-	-	-	2,295
Information technology	6,995	875	1,596	6,181	15,647	2,112	10,515	12,627	28,274
Insurance	-	-	-	387	387	13,250	387	13,637	14,024
Other expenses	1,026	1,646	88	306	3,066	721	537	1,258	4,324
Outside services	4,015	24,071	37,898	151,978	217,962	72,124	112,061	184,185	402,147
Postage and shipping	291	-	76	25	392	956	1,685	2,641	3,033
Printing	17,955	88	2,201	4,597	24,841	616	6,068	6,684	31,525
Project expenses	-	-	-	591,741	591,741	-	-	-	591,741
Rent	-	86,170	-	-	86,170	-	-	-	86,170
Seminars and training	-	-	-	21	21	611	25,031	25,642	25,663
Supplies	10,891	1,361	336	9,345	21,933	2,130	2,417	4,547	26,480
Telecommunications	3,975	10,006	544	1,706	16,231	2,221	1,666	3,887	20,118
Travel, meetings and conferences	301	9	921	11,964	13,195	11,632	20,385	32,017	45,212
Uniforms	1,064	141	-	-	1,205	-	-	-	1,205
Utilities	-	112,313	-	-	112,313	-	-	-	112,313
Volunteer expense	2,123	-	-	2,510	4,633	-	-	-	4,633
Total Nonsalary Related Expenses	<u>612,522</u>	<u>341,268</u>	<u>473,746</u>	<u>801,605</u>	<u>2,229,141</u>	<u>141,509</u>	<u>246,699</u>	<u>388,208</u>	<u>2,617,349</u>
<b>Total Expenses</b>	<u>\$ 864,087</u>	<u>\$ 527,367</u>	<u>\$ 542,881</u>	<u>\$ 1,010,829</u>	<u>\$ 2,945,164</u>	<u>\$ 395,797</u>	<u>\$ 553,995</u>	<u>\$ 949,792</u>	<u>\$ 3,894,956</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				Total
	Retail Operations	Facilities	Park Activation	Park Improvement	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	
<b>Salaries and Related Expenses:</b>									
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>
<b>Nonsalary Related Expenses:</b>									
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>
<b>Total Expenses</b>	<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  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (244,291)	\$ 1,023,051
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	33,270	31,878
<b>(Increase) Decrease in:</b>		
Accounts receivable	144,946	19,008
Grants receivable	7,988	(22,235)
Pledges receivable, net	451,644	(712,577)
Inventories	(16,088)	36,861
Prepaid expenses	12,196	1,581
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	(33,724)	84,947
Deferred revenue	246,112	-
Prepaid rents	12,760	(21,972)
Net Cash Provided by Operating Activities	<u>614,813</u>	<u>440,542</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchases of property and equipment	-	(22,340)
Net Cash Used in Investing Activities	<u>-</u>	<u>(22,340)</u>
Net Increase in Cash and Cash Equivalents	614,813	418,202
Cash and Cash Equivalents at Beginning of Year	<u>1,282,079</u>	<u>863,877</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,896,892</u></b>	<b><u>\$ 1,282,079</u></b>

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

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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 for Balboa Park: To become a sustainable, world-class destination where all visitors are inspired, engaged, and enriched.

Our vision for the Conservancy: We will take responsibility—in partnership with the City of San Diego—for making Balboa Park a world-class urban park.

**Strategic Priorities**

1. **Relationship building** - We will concentrate on enhancing collaborations with the City of San Diego, community members, and other key stakeholders.
2. **Adding value to our community** - We will work to secure resources, advocate for improvements, and share stories of the Park’s evolving success.
3. **Projects, programs, and placemaking** - We will strategically select our projects and programs, becoming known for delivering timely, dependable, and high-quality results.
4. **Organizational excellence** - We will transform and support our staff, Board of Trustees (“Board”), and volunteers in alignment with this strategic plan.

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

The Conservancy’s programs include the following:

**Visitor 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 parkwide institutions and activities. The Balboa Park Visitor Center operates a gift store to offset the cost of visitor services, and sells essential visitor amenities along with Balboa Park multi-museum passes, and zoo and harbor tickets.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

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

The Conservancy maintains and preserves the House of Hospitality, a National Historic Landmark building, providing clean public restrooms, ongoing facility care, and security for tenants and visitors. The Balboa Park Visitors Center is housed in the House of Hospitality, along with the Balboa Park Conservancy office, The Prado Restaurant, a ballroom, 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.

**Parkwide Volunteers**

The Conservancy recruits, trains, and retains volunteers to support an array of park needs, from horticulture to Visitor Experience. Growing to more than 250 strong, current programs include: Park Ambassadors, Tree Stewards, Garden Stewards, Rose Garden Corps, Tour Guides, and Information Desk Volunteers. Volunteers perform vital functions within the Park, and the program is certified by the Points of Light Foundation as an official Service Enterprise organization, one of only 11% nonprofits nationwide.

**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. In addition to events, the Conservancy works with other park stakeholders to provide important infrastructure and programming that supports community connection in public spaces, even during the outbreak of a novel coronavirus (“COVID 19”).

**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 for support of those strategic proposals that best advance the sustainability, preservation, and visitor experience in Balboa Park.
- Recommend selected or appropriate proposals for funding support.
- The Conservancy will provide major proposal leadership and coordination in an inclusive and transparent manner.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Park Improvement (Continued)**

The Conservancy's other programs and projects that sustain and enhance Balboa Park include the following 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.

**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.

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.

After the project received a \$257,000 federal grant from the National Park Services, and a state grant of more than \$8 million, the Conservancy embarked on a joint endeavor with the City of San Diego to restore and enhance the Botanical Building. The project is scheduled to break ground in 2021, and the Conservancy has launched a Capital Campaign to raise the additional funds necessary for the comprehensive interior and exterior improvements.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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 U.S. GAAP 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, 2020 and 2019.

**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, 2020 and 2019.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 2 - 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 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 \$33,270 and \$31,878 for the years ended June 30, 2020 and 2019, 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 \$33,752 and \$55,949 at June 30, 2020 and 2019, respectively, are accrued when incurred, and included in accounts payable and accrued expenses.

**Revenue Recognition**

**Retail Operations**

The Conservancy operates a gift store in the House of Hospitality. Revenue is recognized from retail operations when the point of sale transaction occurs.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Revenue Recognition (Continued)**

**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.

**Rental Income**

Advance receipts of rental income are deferred or classified as liabilities until earned. Prepaid rents totaled \$13,305 and \$545 at June 30, 2020 and 2019, respectively.

**Grants**

Revenue from grants is recognized in the period in which the related work is performed in accordance with the terms of the grant. Grants receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned.

**Other Program Income**

Other program income is related to various programs conducted throughout the year and is recognized as revenue in the period in which the program relates.

**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 \$105,181 and \$177,791 for the years ended June 30, 2020 and 2019, respectively. The amounts have been included in both revenue and expense in the accompanying financial statements.

The Conservancy has received donations of advertising, landscaping and equipment. The donations are recorded at their fair value and totaled \$397,899 and \$646,385 for the years ended June 30, 2020 and 2019, 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, 2020 AND 2019**

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

**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, 2020, 2019, 2018 and 2017 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.

**Accounting Pronouncements Adopted**

In June 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions, or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions, or opening net assets with donor restrictions, as of July 1, 2019. There was no effect of adopting the new accounting principles on contributions in 2020.



**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

**Accounting Pronouncements Adopted (Continued)**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis, which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as 'restricted cash' or 'restricted cash equivalents.' The adoption of ASU 2016-18 for the year ended June 30, 2020 had no effect on the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

**Subsequent Events**

In preparing these financial statements, The Conservancy has evaluated events and transactions for potential recognition or disclosure through November 10, 2020, 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, 2020 AND 2019**

**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:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,896,892	\$ 1,282,079
Accounts receivable	9,770	154,716
Grants receivable	32,159	40,147
Pledges receivable	215,452	616,633
Total financial assets	<u>2,154,273</u>	<u>2,093,575</u>
Less: amounts not expected to be used for operations within one year:		
Botanical building donor-restricted	-	(358,933)
Board-designated purposes	<u>(736,037)</u>	<u>(286,442)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,418,236</u>	<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 7. 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.

**Note 4 - Pledges Receivable:**

Pledges receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Current:		
Due in less than one year	\$ <u>215,452</u>	\$ <u>616,633</u>
Noncurrent:		
Due in one to five years	441,421	477,544
Due in more than five years	8,050	26,991
Less: Discount to present value	<u>(28,083)</u>	<u>(32,684)</u>
Total Noncurrent, Net	<u>421,388</u>	<u>471,851</u>
Total Pledges Receivable, Net	<u>\$ 636,840</u>	<u>\$ 1,088,484</u>

The pledges receivable have been discounted to their present value using a discount rate of 1.84% at June 30, 2020 and 2019.

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 5 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 344,062	\$ 344,062
Furniture and equipment	189,425	189,425
Subtotal	<u>533,487</u>	<u>533,487</u>
Less: Accumulated depreciation	<u>(361,087)</u>	<u>(327,817)</u>
Property and Equipment, Net	<u>\$ 172,400</u>	<u>\$ 205,670</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 \$743,196 and \$976,322 for the years ended June 30, 2020 and 2019, respectively. The related future minimum lease income is as follows:

<u>Years Ended June 30</u>	
2021	\$ 265,508
2022	16,541
Total	<u>\$ 282,049</u>

**Note 7 - Board-Designated Funds:**

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

	<u>2020</u>	<u>2019</u>
Capital reserve	\$ 366,039	\$ 263,477
Operating reserve	342,134	-
Botanical Building	27,864	22,965
Total Board-Designated Funds	<u>\$ 736,037</u>	<u>\$ 286,442</u>

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 8 - 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>2020</u>	<u>2019</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Garden funds	\$ 251,285	\$ 216,903
Wayfinding and signage	201,798	-
Botanical Building	184,482	358,933
Tree fund	53,926	64,817
Park improvement	40,022	47,850
Membership program	2,237	3,275
Executive coaching fund	1,225	-
Support group fund	40	-
Shuttle stop	-	16,479
Volunteer engagement	-	5,150
Economic impact report	-	2,102
Total Subject to Expenditure For Specified Purpose	<u>735,015</u>	<u>715,509</u>
<b>Subject to the Passage of Time:</b>		
Pledges receivable, net	636,840	1,088,484
Total Net Assets with Donor Restrictions	<u>\$ 1,371,855</u>	<u>\$ 1,803,993</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>2020</u>	<u>2019</u>
<b>Purpose Restrictions Accomplished:</b>		
Botanical Building	\$ 336,611	\$ 11,776
Tree fund	250,349	338,943
Garden fund	129,911	57,223
Tennis court lighting	100,000	-
Park mobility	34,105	20,000
Wayfinding and signage	22,502	24,770
Volunteer engagement	17,150	23,663
Executive coaching fund	6,775	-
Economic impact report	2,102	-
Support of other Park entities	1,038	4,650
Support group fund	385	-
Nate's point	-	26,455
Park activation	-	10,782
Membership program	-	8,725
<b>Time Restrictions Fulfilled</b>	<u>710,645</u>	<u>175,997</u>
Total Net Assets Released from Restrictions	<u>\$ 1,611,573</u>	<u>\$ 702,984</u>

**BALBOA PARK CONSERVANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 9 – Commitments and Contingencies:**

**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 \$26,044 and \$27,756 to the Plan for the years ending June 30, 2020 and 2019, 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, 2020. Rent expense for this lease totaled \$86,170 and \$94,904 for the years ended June 30, 2020 and 2019, respectively.

**Payroll Protection Program Loan**

In May 2020, The Conservancy received a loan totaling \$246,112 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that The Conservancy meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in May 2022. The Conservancy has included the loan totaling \$246,112 in deferred revenue at June 30, 2020. The Conservancy expects to satisfy the terms and conditions of forgiveness of the PPP, and will recognize the \$246,112 as revenue when forgiveness is granted, which is expected to occur during the year ended June 30, 2021.

**Coronavirus Pandemic Contingency**

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. The Conservancy, as a nonessential business, was required to close the Balboa Park Visitor Center and cease in-person operations, and our office-based employees began working from home. In addition, the businesses that lease space from The Conservancy were required to close, and Balboa Park was closed. As local regulations have permitted, The Conservancy has begun to re-open the Balboa Park Visitor Center and allow employees to return to The Conservancy’s office. To provide a safe work environment for employees and volunteers, The Conservancy has, among other things, increased the sanitization of facilities and implemented various safety and hygiene modifications and social distancing measures. The potential impacts to The Conservancy due to closure or restricted business operations include disruptions or restrictions on employees’ and volunteers’ ability to work; suspension of in-person programs; closure or restricted operations of the Balboa Park Visitor Center; tenants’ ability to make rental payments; and reduction in contributions from donors. Changes to the operating environment may also have an impact on operating expenses.

The COVID-19 pandemic continues to present a substantial public health and economic challenge around the world, and is affecting our employees, volunteers, communities, and business operations, as well as the U.S. and other major economies. The length of time and full extent to which the COVID-19 pandemic will directly or indirectly impact The Conservancy’s results of operations and financial condition will depend on future developments that are difficult to predict, including new information that may emerge concerning COVID-19; the actions taken to contain it or treat its impact; and the impact on local, regional, national, and international economies. The future effects of these issues are unknown.