



FINANCIAL STATEMENTS

JUNE 30, 2022



Leaf & Cole, LLP
Certified Public Accountants

**FOREVER BALBOA PARK
FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Independent Auditor's Report

To the Board of Trustees
Forever Balboa Park

Opinion

We have audited the accompanying financial statements of Forever Balboa Park (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forever Balboa Park as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Forever Balboa Park, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Forever Balboa Park's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Forever Balboa Park's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forever Balboa Park's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Leaf & Cole LLP

San Diego, California
December 29, 2022

**FOREVER BALBOA PARK
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

Current Assets: (Notes 2 and 5)

Cash and cash equivalents	\$ 4,534,567
Accounts receivable	114,969
Grants receivable	614,973
Pledges receivable	290,044
Inventory	82,879
Prepaid expenses	15,218
Total Current Assets	5,652,650

Noncurrent Assets: (Notes 2, 4, 5, 6, 7, 8 and 9)

Pledges receivable, net	512,053
Property and equipment, net	240,975
Carousel	2,665,745
Investments - endowment	2,044,251
Beneficial interest in endowment funds	328,833
Total Noncurrent Assets	5,791,857

TOTAL ASSETS **\$ 11,444,507**

LIABILITIES AND NET ASSETS

Current Liabilities: (Notes 2, 10 and 15)

Accounts payable and accrued expenses	\$ 345,546
Deferred revenue	256,868
Custodial funds	283,946
Total Current Liabilities	886,360
Total Liabilities	886,360

Commitments and Contingency (Note 15)

Net Assets: (Notes 2, 12, 13, and 14)

Without Donor Restrictions:	
Undesignated	1,047,781
Expended for carousel, property and equipment	2,906,720
Board designated	725,890
Total Without Donor Restrictions	4,680,391
With Donor Restrictions:	
Purpose restrictions	3,156,874
Time restrictions	347,481
Perpetual in nature	2,373,401
Total With Donor Restrictions	5,877,756
Total Net Assets	10,558,147

TOTAL LIABILITIES AND NET ASSETS **\$ 11,444,507**

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

**FOREVER BALBOA PARK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and Support:</u>			
Contributions	\$ 349,978	\$ 1,279,528	\$ 1,629,506
Visitor Center operations	1,030,693	-	1,030,693
Rental income	677,897	-	677,897
Grants	587,813	84,500	672,313
Carousel ticket sales	358,478	-	358,478
Other income	17,611	-	17,611
In-kind contributions	3,404	-	3,404
Investment gain (loss)	1,456	(313,860)	(312,404)
Net assets released from restrictions	856,603	(856,603)	-
Total Revenue and Support	<u>3,883,933</u>	<u>193,565</u>	<u>4,077,498</u>
<u>Expenses:</u>			
<u>Program Services:</u>			
Visitor Center operations	937,310	-	937,310
Park improvements projects and programs	711,302	-	711,302
Facilities	569,374	-	569,374
Carousel	217,626	-	217,626
Total Program Services	<u>2,435,612</u>	<u>-</u>	<u>2,435,612</u>
<u>Supporting Services:</u>			
General and administrative	503,543	-	503,543
Fundraising	514,969	-	514,969
Total Supporting Services	<u>1,018,512</u>	<u>-</u>	<u>1,018,512</u>
Total Expenses	<u>3,454,124</u>	<u>-</u>	<u>3,454,124</u>
Change in Net Assets	429,809	193,565	623,374
Net Assets at Beginning of Year	<u>4,250,582</u>	<u>5,684,191</u>	<u>9,934,773</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 4,680,391</u></u>	<u><u>\$ 5,877,756</u></u>	<u><u>\$ 10,558,147</u></u>

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

**FOREVER BALBOA PARK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services				Supporting Services				Total Expenses
	Park Improvements				Total		Total		
	Visitor Center Operations	Projects and Programs			Program Services	Fundraising	Supporting Services		
	Facilities	Carousel	General and Administrative	Fundraising	Supporting Services	Total	Total		
Salaries and Related Expenses:									
Salaries and wages	\$ 243,416	\$ 366,560	\$ 128,937	\$ 129,308	\$ 868,221	\$ 205,382	\$ 308,243	\$ 513,625	\$ 1,381,846
Payroll taxes and related expenses	44,216	63,736	53,335	33,318	194,605	55,076	43,682	98,758	293,363
Total Salaries and Related Expenses	<u>287,632</u>	<u>430,296</u>	<u>182,272</u>	<u>162,626</u>	<u>1,062,826</u>	<u>260,458</u>	<u>351,925</u>	<u>612,383</u>	<u>1,675,209</u>
Nonsalary Related Expenses:									
Accounting fees	-	-	-	-	-	38,438	-	38,438	38,438
Advertising and marketing	-	-	-	6,028	6,028	336	8,407	8,743	14,771
Banking and merchant fees	18,869	-	-	9,271	28,140	1,512	8,672	10,184	38,324
Carousel repair and maintenance	-	-	-	5,968	5,968	-	-	-	5,968
Carousel restoration and preservation	-	-	-	3,445	3,445	-	-	-	3,445
Cost of goods sold	540,292	-	-	-	540,292	-	-	-	540,292
Depreciation	4,657	2,512	11,410	-	18,579	3,279	2,267	5,546	24,125
Donor recognition and cultivation	-	-	-	-	-	-	27,517	27,517	27,517
Dues and subscriptions	985	1,703	-	-	2,688	8,811	2,022	10,833	13,521
Equipment and equipment rental	1,956	6,013	212	-	8,181	5,023	5,735	10,758	18,939
Facilities maintenance	-	-	86,871	-	86,871	-	-	-	86,871
Information technology	7,598	14,640	1,130	1,585	24,953	7,712	13,130	20,842	45,795
Insurance	2,205	4,761	1,764	5,546	14,276	15,017	1,248	16,265	30,541
Occupancy	-	-	209,588	6,400	215,988	-	-	-	215,988
Other	18,387	2,862	2,927	2,684	26,860	10,062	4,346	14,408	41,268
Outside services	6,610	123,445	54,434	5,026	189,515	139,327	72,355	211,682	401,197
Postage and shipping	411	723	-	-	1,134	943	4,942	5,885	7,019
Printing	22,376	10,057	-	150	32,583	-	6,048	6,048	38,631
Project expenses	-	67,672	-	-	67,672	-	-	-	67,672
Supplies	7,061	11,239	364	4,402	23,066	5,436	1,393	6,829	29,895
Telecommunications	4,479	2,427	18,350	2,957	28,213	5,906	1,784	7,690	35,903
Travel, meeting and conferences	43	1,563	52	1,538	3,196	1,283	3,154	4,437	7,633
Uniforms	1,000	8,144	-	-	9,144	-	-	-	9,144
Volunteer expense	12,749	23,245	-	-	35,994	-	24	24	36,018
Total Nonsalary Related Expenses	<u>649,678</u>	<u>281,006</u>	<u>387,102</u>	<u>55,000</u>	<u>1,372,786</u>	<u>243,085</u>	<u>163,044</u>	<u>406,129</u>	<u>1,778,915</u>
Total Expenses	<u>\$ 937,310</u>	<u>\$ 711,302</u>	<u>\$ 569,374</u>	<u>\$ 217,626</u>	<u>\$ 2,435,612</u>	<u>\$ 503,543</u>	<u>\$ 514,969</u>	<u>\$ 1,018,512</u>	<u>\$ 3,454,124</u>

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

**FOREVER BALBOA PARK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Cash Flows From Operating Activities:</u>		
Change in net assets		\$ 623,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		24,125
Net realized and unrealized gain on investments		(1,322)
Endowment contributions		(71,817)
Endowment investment loss		14,560
Endowment distributions		12,478
(Increase) Decrease in:		
Accounts receivable		(110,089)
Grants receivable		(582,814)
Pledges receivable, net		313,230
Inventory		591
Prepaid expenses		5,709
Increase (Decrease) in:		
Accounts payable and accrued expenses		130,246
Deferred revenue		(42,626)
Net Cash Provided by Operating Activities		<u>315,645</u>
<u>Cash Flows From Investing Activities:</u>		
Investment (purchases) and sales, net		385,807
Purchases of property and equipment		(108,295)
Change in beneficial interest in endowment funds		26,538
Net Cash Provided by Investing Activities		<u>304,050</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment contributions		71,817
Endowment investment loss		(14,560)
Endowment distributions		(12,478)
Custodial funds		2,323
Net Cash Provided by Financing Activities		<u>47,102</u>
Net Increase in Cash and Cash Equivalents		666,797
Cash and Cash Equivalents at Beginning of Year		<u>3,867,770</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$ <u>4,534,567</u>

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

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1 - Organization:

Forever Balboa Park (the “Organization”) is the City of San Diego’s primary nonprofit partner dedicated to the care and enhancement of Balboa Park (the “Park”). The Organization connects the community to the Park through volunteerism, visitor experience, placemaking, projects and advocacy with a commitment to the same civic-minded philanthropy that motivated the Park’s earliest stewards. See Note 16 – Merger.

Mission

The Organization’s mission is to sustain, envision, and enhance Balboa Park for all in partnership with the City of San Diego and in collaboration with other organizations in the Park and the community.

Our vision for the Park is to maintain and enhance its stature as a sustainable, world-class destination where all visitors are inspired, engaged, and enriched.

Programs

The Organization’s programs include the following:

Balboa Park Visitors Center: Retail Operations and Guest Services

The Balboa Park Visitors Center informs, educates, and serves over 600,000 visitors annually. The largest visitor center in the region, the Park’s Visitors Center is supported by multilingual staff and volunteers with diverse backgrounds, who are trained to promote parkwide institutions and activities and to provide free and custom tours, maps, and information. The Visitors Center operates a gift store to offset the cost of visitor services and sells essential visitor amenities along with Park multi-museum passes, and zoo and harbor tickets.

House of Hospitality: Historic Facilities, Gardens

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

Dorothea Laub Balboa Park Carousel

The Balboa Park Carousel (the “Carousel”) was constructed in 1910 during the golden age of carousels (c. 1880-1920) by the Herschell-Spillman Company of North Tonawanda, New York, and was permanently moved to the Park in 1922.

Designated as a Historical Resource, the Carousel is a classic wood carousel of the menagerie type, featuring original hand-painted figures. After acquiring the Carousel in 2017, the Organization has made significant progress toward restoring the Carousel to its original glory, with major upgrades planned the coming year. The Carousel provides more than 125,000 rides annually to visitors of all ages.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 – Organization: (Continued)

Programs (Continued)

Parkwide Volunteers

The Organization recruits, trains, and retains volunteers to support an array of Park needs, from horticulture to visitor experience. Growing to more than 340 volunteers 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 Organization supports the City of San Diego’s Parks and Recreation Department in placemaking and Park activation endeavors, including food truck events, parkwide tours, clean-ups, community tree plantings, and December Nights. In addition to events, the Organization works with other Park stakeholders to provide important infrastructure and programming that supports community connection in public spaces.

Park Improvement

The Organization’s process for selecting Park Improvement programs and capital improvement projects includes regular collaboration with, and ongoing input from, Park stakeholders and the City of San Diego.

The Organization’s lead programs and projects that sustain and enhance the 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 the 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 – (a) upgraded gardens throughout the Park, including significant improvements to the Cactus Garden, elevating the stature of this neglected garden., (b) secured plans and funding for Alcazar Garden improvements, facilitated fountain repair, convened experts for Rose Garden planning, (c) created an informational brochure for Park visitors, and (d) managed an Adopt a Plot program, guiding plot adopters in creating and maintaining their designated plots.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 – Organization: (Continued)

Programs (Continued)

Capital Projects: Botanical Building and Gardens

In the fall of 2013, the Organization’s volunteer Board of Trustees (the “Board”) decided to proceed with an inaugural capital improvement project, the rehabilitation and restoration of the iconic Botanical Building and Gardens in Balboa Park. Situated at the center of the 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.

After the project received a \$257,000 federal grant from the National Park Services, and a state grant of more than \$8 million, the Organization embarked on a joint endeavor with the City of San Diego to restore and enhance the Botanical Building. The Organization is conducting a capital campaign to raise the additional funds necessary for the comprehensive interior and exterior improvements.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Organization 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.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Significant Accounting Policies: (Continued)

Risks and Uncertainties

The Organization invests in various types of investments which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

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).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in municipal bonds are considered Level 2 assets, and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- The beneficial interest in endowment funds held by the San Diego Foundation ("TSDF") is considered a Level 3 asset, and is reported at the fair value of the underlying assets as reported by the fund manager.

Inventory

Inventory of merchandise at the Visitor Center, which primarily consists of books, periodicals, tickets, and other gift items, is valued at the lower of average cost (first in, first out method) or net realizable value.

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, grants and pledges receivable were fully collectible; therefore, no allowance for doubtful accounts, grants and pledges receivable was recorded at June 30, 2022.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Organization 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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization 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 \$24,125 for the year ended June 30, 2022.

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 resulting gain or loss is recorded as income or expense.

Collection - Historic Treasure

The Organization's collection consists of its 1910 Herschell-Spillman menagerie carousel, a historic treasure. The Organization may acquire additions to its collection by purchase or by donation. If purchased, items accessioned into the historic treasure are capitalized at cost, and, if donated, are capitalized at appraised or fair value on the accession date, the date on which the item is accepted by the Board. Gains or losses on the deaccession of the historic treasure is classified in the statement of activities as with donor restrictions or without donor restrictions, depending on donor restrictions, if any, placed on the item at the time of accession. There were no accessions to or deaccessions from the collection during the year ended June 30, 2022. Costs incurred in connection with restoration and conservation of the historic treasure are expensed in the period incurred.

Compensated Absences

Accumulated unpaid vacation amounts totaling \$69,350 at June 30, 2022, are accrued when incurred and have been included in accounts payable and accrued expenses.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give in writing to the Organization 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 restrictions or with donor restrictions, 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.

The Organization operates the carousel where a fee is charged per ride. Revenue is recognized when the sale occurs.

Advance receipts of rental income are deferred or classified as liabilities until earned. Prepaid rents totaled \$10,756 at June 30, 2022 and are included in deferred revenue.

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.

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

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

Donated Services and Materials

The Organization 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 Organization has received donations of donated materials. The donations are recorded at their fair value, and totaled \$3,404 for the year ended June 30, 2022. The amount has been included in both revenue and expense in the accompanying financial statements.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Materials (Continued)

The following table summarizes donated materials measured at fair value received for the year ended June 30, 2022:

Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Program supplies	\$3,134	Various program services	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Plaques for Board members	\$270	General and administrative	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.

Functional Allocation of Expenses

The statement of functional expenses present expenses by function and natural classification. The Organization 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 service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated between such programs and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

Income Taxes

The Organization 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 Organization 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 Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the year ended June 30, 2022 is subject to examination by the Internal Revenue Service and the State taxing authorities, generally three-to-four years after the returns are filed.

Concentration of Credit Risk

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

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting Pronouncements Adopted

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure movements. This standard is applied on a retrospective basis. The Organization’s adoption of the ASU effective July 1, 2021 had no effect on the 2022 financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 29, 2022, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed except as described in Note 15.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
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Note 3 - Liquidity and Availability:

The Organization 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 Organization 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 Organization considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at June 30, 2022:

Cash and cash equivalents	\$ 4,534,567
Accounts receivable	114,969
Grants receivable	614,973
Pledges receivable	290,044
Appropriation of endowment earnings	<u>10,000</u>
Total financial assets	<u>5,564,553</u>
Less assets unavailable for general expenditures:	
Custodial funds	(283,946)
Board designated purposes	<u>(725,890)</u>
Total financial assets not available to be used within one year	<u>(1,009,836)</u>
Financial assets available for general expenditures within one year	<u><u>\$ 4,554,717</u></u>

The Organization's Board has designated a portion of its resources without donor restrictions for operating and capital reserves, as described in Note 12. 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.

In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment funds' earnings are made in accordance with the spending policy as described in Note 14. Donor-restricted endowment funds that must be held in perpetuity are not available for general expenditure.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Municipal bonds	\$ -	\$ 2,044,251	\$ -	\$ 2,044,251
Beneficial interest in endowment funds (Note 9)	-	-	328,833	328,833
	<u>\$ -</u>	<u>\$ 2,044,251</u>	<u>\$ 328,833</u>	<u>\$ 2,373,084</u>

The reconciliations of financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 9, as indicated above.

The following table represents the Organization's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, the significant unobservable inputs, and the range of values for those inputs for the year ended June 30, 2022:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 328,833	Valuation of underlying assets as provided by TSDF	Base price	N/A

Note 5 - Pledges Receivable:

Pledges receivable consist of the following at June 30, 2022:

Current:	
Due in less than one year	\$ <u>290,044</u>
Noncurrent:	
Due in one-to-five years	536,030
Due in more than five years	4,650
Less: Discount to present value	<u>(28,627)</u>
Total Noncurrent, Net	<u>512,053</u>
Total Pledges Receivable, Net	<u>\$ <u>802,097</u></u>

The pledges receivable have been discounted to their present value using a discount rate of 1.84% for the year ended June 30, 2022.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 6 - Investments:

Investments consist of the following at June 30, 2022:

Municipal bonds	\$ <u>2,044,251</u>
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The following schedule summarizes the investment gain (loss) and its classification in the statement of activities for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 134	\$ 98,815	\$ 98,949
Realized and unrealized gain (loss)	1,322	(411,143)	(409,821)
Investment fees	-	(1,532)	(1,532)
Total Investment Gain (Loss)	\$ 1,456	\$ (313,860)	\$ (312,404)

Note 7 - Property and Equipment:

Property and equipment consist of the following at June 30 2022:

Leasehold improvements	\$ 344,062
Furniture and equipment	195,894
Construction in progress	96,995
Subtotal	636,951
Less: Accumulated depreciation	(395,976)
Property and Equipment, Net	\$ 240,975

Note 8 - Carousel:

On June 30, 2017, the Organization purchased from a private party the 1910 Herschell-Spillman menagerie carousel, which has been located in the Park since 1922. The carousel was placed in service on July 1, 2017, the date the Organization's carousel operations began. As a historic treasure, the carousel is not subject to depreciation. The carousel is recorded at cost and totaled \$2,665,745 at June 30, 2022.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
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Note 9 - Beneficial Interest in Endowment Funds:

The Organization has a beneficial interest in endowment funds held by TSDF, which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held by TSDF is invested in a portfolio of equity and debt securities which is structured for long-term total return, consisting of 39% international equities, 15% hedge funds, 14% private equity, 11% fixed income, 10% real estate, 7% real assets and 4% private credit. The Organization receives distributions of earnings on an annual basis.

The activity in the beneficial interest in endowment funds held by TSDF consisted of the following for the year ended June 30, 2022:

Balance at Beginning of Year	\$ 355,371
Contribution	500
Investment loss	(14,560)
Distributions	(12,478)
Balance at End of Year	<u>\$ 328,833</u>

Note 10 - Custodial Funds:

The Organization acts as the fiscal agent for several organizations. As the fiscal agent, the Organization holds the unspent funds of each organization and reports these as a liability in the statement of financial position. The liability included in custodial funds was comprised of the following at June 30, 2022:

City of San Diego Parks and Recreation Department:	
Rose garden landscape upgrade	\$ 151,541
Dedicated Benches	17,804
Dedicated Trees	15,526
Adopt-a-Plot West Prado	14,204
Twilight concerts	9,247
Programming	5,731
Kids to Canyons	729
Total City of San Diego Parks and Recreation Department	<u>214,782</u>
Trees for Health Garden	60,378
Redwood Bridge Club	8,786
Total Custodial Funds	<u>\$ 283,946</u>

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
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Note 11 - Rental Income:

The Organization leases office and restaurant space under operating leases through September 2029 and other offices under month-to-month leases. Rental income totaled \$677,897 for the year ended June 30, 2022. The related future minimum lease income is as follows:

Years Ended June 30		
2023	\$	233,964
2024		233,964
2025		233,964
2026		233,964
2027		233,964
Thereafter		740,887
Total	\$	1,910,707

Note 12 - Board Designated Net Assets:

The Organization's Board approved appropriations of net assets without donor restrictions totaling \$725,890 for the year ended June 30, 2022. The balances include the following designations at June 30, 2022:

Operating reserve	\$	342,134
Capital reserve		269,044
Appropriated endowment earnings		86,238
Botanical Building		28,474
Total Board Designated Net Assets	\$	725,890

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 13 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Organization, 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, 2022:

Subject to Expenditure for Specified Purpose:

Carousel	\$ 1,249,337
Botanical Building	1,109,036
Garden funds	207,495
Wayfinding and signage	172,304
Sustainability water management	149,401
Volunteer engagement	92,083
Tree fund	55,307
Organizational capacity	42,031
Satellite visitor kiosk	24,500
Phelps-Wilson horticulture fund	18,207
Palm Canyon Honeymoon Bridge	13,633
Project improvement	10,984
Palm tree weevil remediation	6,325
Field trip	2,085
Organization change	1,257
Membership program	947
Plaza de California lights	692
Palm Canyon Footbridge	600
Support group fund	455
Gateway monuments	195
Total Subject to Expenditure For Specified Purpose	3,156,874

Subject to the Passage of Time:

Pledges receivable, net	347,481
Total Subject to the Passage of Time	347,481

Perpetual in Nature:

Endowments (Note 14)	2,373,401
Total Net Assets with Donor Restrictions	\$ 5,877,756

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 13 - Net Assets With Donor Restrictions: (Continued)

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 year ended June 30, 2022:

Purpose Restrictions Accomplished:

Botanical building	\$	154,045
Merger costs		90,000
Volunteer engagement		77,752
Carousel		59,716
Garden funds		51,569
Organizational capacity		35,678
Tree fund		29,477
Wayfinding and signage		16,098
Phelps-Wilson horticulture fund		5,228
Organizational change		1,794
Membership program		910
Project improvement		534
Palm tree weevil remediation		275
Memorial fund		150
Support group fund		40
Total Purpose Restrictions Accomplished		523,266
Time Restrictions Fulfilled		230,859
Endowment distributions		102,478
Total Net Assets Released From Restrictions	\$	856,603

Note 14 - Endowment Net Assets:

The Organization’s endowment consists of individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Organization holds and manages the general operations endowment with the remaining funds held and managed by TSDF.

Forever Balboa Park Managed Funds

In regard to the funds held and managed by the Organization, the Board has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restriction, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 14 - Endowment Net Assets: (Continued)

Forever Balboa Park Managed Funds (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has underwater endowment funds totaling \$94,458 at June 30, 2022.

The Organization has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a moderate level
- Comply with applicable laws

The Organization's endowment funds are invested in municipal bonds that are structured to satisfy its long-term rate-of-return objectives. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Organization has a policy of appropriating for distribution each year the lesser of 4% of the previous 3-year average market value of the endowment funds of a perpetual nature or the current yield. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. It is the Organization's policy to not make distributions in excess of the amount available in the endowment funds held in perpetuity.

The San Diego Foundation Managed Funds

The Organization has a beneficial interest in endowment funds that are held by TSDF. TSDF manages the funds in accordance with UPMIFA. TSDF's investment objectives are to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund held by TSDF may fall below the level that the donors require the Organization to retain as a fund of perpetual duration.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 14 - Endowment Net Assets: (Continued)

The San Diego Foundation Managed Funds (Continued)

Net assets with donor restrictions in perpetuity held by TSDF are comprised of:

- The original value of gifts donated to the fund
- The original value of the Organization funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

TSDF has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

TSDF's endowment funds are invested in a diversified portfolio of equity and debt securities, which is structured for long-term total return. TSDF's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

Endowment composition by type of fund at June 30, 2022:

	Without Donor Restrictions - Earnings	With Donor Restrictions - Earnings	With Donor Restrictions - Perpetual	Total
<u>Donor-Restricted Endowment Funds:</u>				
General endowment	\$ 86,238	\$ -	\$ 2,044,568	\$ 2,130,806
Beneficial interest in endowment funds held by TSDF	-	-	328,833	328,833
Total Donor-Restricted Endowment Funds	<u>\$ 86,238</u>	<u>\$ -</u>	<u>\$ 2,373,401</u>	<u>\$ 2,459,639</u>

Change in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions - Earnings	With Donor Restrictions - Earnings	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at June 30, 2021	\$ 86,238	\$ 294,843	\$ 2,423,046	\$ 2,804,127
Contribution	-	-	71,817	71,817
Investment return	-	(204,843)	(108,984)	(313,827)
Appropriation of endowment assets for expenditure	-	(90,000)	(12,478)	(102,478)
Endowment Net Assets at June 30, 2022	<u>\$ 86,238</u>	<u>\$ -</u>	<u>\$ 2,373,401</u>	<u>\$ 2,459,639</u>

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
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Note 15 - Commitments and Contingency:

Employee Benefit Plan

The Organization 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 Organization makes a matching contribution equal to 100% of employee salary deferrals, not to exceed 5% of employee compensation after six months of service. The Organization contributed \$39,763 to the Plan for the year ended June 30, 2022.

Operating Lease

The Organization entered into a three-year operating lease with the City of San Diego for the House of Hospitality building, commencing September 1, 2021. The Organization pays an annual rent of \$3,852 plus 10% of rent received from tenants. Rent expense totaled \$79,989 for the year ended June 30, 2022.

Consolidated Appropriations Act Paycheck Protection Program

In April 2021, the Organization received a loan totaling \$246,112 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program. The loan is forgivable to the extent that the Organization meets the loan’s terms and conditions. Any portion of the loan that is not forgiven bears interest at 1% and is due in April 2026. The Organization has included the loan balance of \$246,112 in deferred revenue at June 30, 2022. The Organization expects to satisfy the terms and conditions of forgiveness of the loan and will recognize the \$246,112 as revenue when forgiveness is granted, which is expected to occur during the year end June 30, 2023. Subsequent to year end, on August 23, 2022, the full loan balance was forgiven by the U.S. Small Business Administration.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
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Note 16 - Merger:

On July 1, 2021, under an Agreement of Merger, the Friends of Balboa Park (“FoBP”) merged with the Balboa Park Conservancy (the “Conservancy”). The merged organization now operates under the name of Forever Balboa Park.

Following the merger, the corporate existence of FoBP continued and the separate corporate existence of the Conservancy ceased. The articles of incorporation and the bylaws of FoBP were amended and restated to reflect the primary rules governing the management of both entities. The merger between FoBP and the Conservancy did not involve the transfer of any consideration.

The merger was accounted for by combining all of the assets and liabilities of the Conservancy and FoBP. The amounts recognized as of the merger date for each major class of assets and liabilities and each class of net assets on July 1, 2021 are:

	Conservancy	FoBP	Adjustment		Total
			Debit	Credit	
Assets:					
Cash and cash equivalents	\$ 2,065,484	\$ 1,802,286	\$ -	\$ -	\$ 3,867,770
Accounts receivable	3,765	1,115	-	-	4,880
Grants receivable	32,159	-	-	-	32,159
Pledges receivable	1,024,284	91,043	-	-	1,115,327
Other assets	86,708	17,689	-	-	104,397
Property and equipment	151,276	5,529	-	-	156,805
Carousel	-	2,665,745	-	-	2,665,745
Investments – endowment	-	2,428,736	-	-	2,428,736
Beneficial interest in endowment funds	-	355,371	-	-	355,371
Total Assets	<u>\$ 3,363,676</u>	<u>\$ 7,367,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,731,190</u>
Total Liabilities	<u>\$ 418,793</u>	<u>\$ 377,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 796,417</u>
Net Assets	<u>\$ 2,944,883</u>	<u>\$ 6,989,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,934,773</u>