



FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



Leaf & Cole, LLP
Certified Public Accountants

**FOREVER BALBOA PARK
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 14, 2023

**FOREVER BALBOA PARK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current Assets:</u> (Notes 2, 5 and 6)		
Cash and cash equivalents	\$ 3,963,939	\$ 4,534,567
Accounts receivable	111,600	114,969
Grants receivable	182,429	614,973
Pledges receivable	234,585	290,044
Investments	1,005,509	-
Inventory	100,249	82,879
Prepaid expenses	11,495	15,218
Total Current Assets	<u>5,609,806</u>	<u>5,652,650</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6, 7, 8 and 9)		
Pledges receivable, net	309,079	512,053
Property and equipment, net	564,299	240,975
Carousel	2,665,745	2,665,745
Endowment cash and investments:		
Cash	122,716	-
Investments	1,887,106	2,044,251
Beneficial interest in endowment funds	336,305	328,833
Total Noncurrent Assets	<u>5,885,250</u>	<u>5,791,857</u>
TOTAL ASSETS	\$ <u>11,495,056</u>	\$ <u>11,444,507</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2, 10 and 15)		
Accounts payable and accrued expenses	\$ 692,977	\$ 345,546
Deferred revenue	1,670	256,868
Custodial funds	253,413	283,946
Total Current Liabilities	<u>948,060</u>	<u>886,360</u>
Total Liabilities	<u>948,060</u>	<u>886,360</u>
<u>Commitments and Contingency</u> (Note 15)		
<u>Net Assets:</u> (Notes 2, 12, 13, and 14)		
Without Donor Restrictions:		
Undesignated	1,256,387	1,047,781
Expended for carousel, property and equipment	3,230,044	2,906,720
Board designated	489,391	725,890
Total Without Donor Restrictions	<u>4,975,822</u>	<u>4,680,391</u>
With Donor Restrictions:		
Purpose restrictions	2,953,533	3,156,874
Time restrictions	271,514	347,481
Perpetual in nature	2,346,127	2,373,401
Total With Donor Restrictions	<u>5,571,174</u>	<u>5,877,756</u>
Total Net Assets	<u>10,546,996</u>	<u>10,558,147</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>11,495,056</u>	\$ <u>11,444,507</u>

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

**FOREVER BALBOA PARK
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and Support:</u>						
Contributions	\$ 561,951	\$ 895,543	\$ 1,457,494	\$ 349,978	\$ 1,279,528	\$ 1,629,506
Visitors Center operations	1,169,443	-	1,169,443	1,030,693	-	1,030,693
Rental income	904,443	-	904,443	677,897	-	677,897
Grants	281,112	55,308	336,420	587,813	84,500	672,313
Carousel ticket sales	153,713	-	153,713	358,478	-	358,478
Investment gain (loss)	97,701	(13,008)	84,693	1,456	(313,860)	(312,404)
Special events, net of direct donor costs of \$23,630 and \$-0-, respectively	16,867	-	16,867	-	-	-
Other income	12,745	-	12,745	17,611	-	17,611
In-kind contributions	-	-	-	3,404	-	3,404
Net assets released from restrictions	1,244,425	(1,244,425)	-	856,603	(856,603)	-
Total Revenue and Support	<u>4,442,400</u>	<u>(306,582)</u>	<u>4,135,818</u>	<u>3,883,933</u>	<u>193,565</u>	<u>4,077,498</u>
<u>Expenses:</u>						
<u>Program Services:</u>						
Visitors Center operations	1,090,864	-	1,090,864	937,310	-	937,310
Carousel	786,872	-	786,872	217,626	-	217,626
Facilities	735,519	-	735,519	569,374	-	569,374
Park improvements projects and programs	571,025	-	571,025	711,302	-	711,302
Total Program Services	<u>3,184,280</u>	<u>-</u>	<u>3,184,280</u>	<u>2,435,612</u>	<u>-</u>	<u>2,435,612</u>
<u>Supporting Services:</u>						
General and administrative	419,951	-	419,951	503,543	-	503,543
Fundraising	542,738	-	542,738	514,969	-	514,969
Total Supporting Services	<u>962,689</u>	<u>-</u>	<u>962,689</u>	<u>1,018,512</u>	<u>-</u>	<u>1,018,512</u>
Total Expenses	<u>4,146,969</u>	<u>-</u>	<u>4,146,969</u>	<u>3,454,124</u>	<u>-</u>	<u>3,454,124</u>
Change in Net Assets	295,431	(306,582)	(11,151)	429,809	193,565	623,374
Net Assets at Beginning of Year	4,680,391	5,877,756	10,558,147	4,250,582	5,684,191	9,934,773
NET ASSETS AT END OF YEAR	<u>\$ 4,975,822</u>	<u>\$ 5,571,174</u>	<u>\$ 10,546,996</u>	<u>\$ 4,680,391</u>	<u>\$ 5,877,756</u>	<u>\$ 10,558,147</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, 2023**

	Program Services					Supporting Services			
	Visitors Center Operations	Carousel	Facilities	Park Improvements	Total	General and Administrative	Fundraising	Total	Total Expenses
				Projects and Programs	Program Services			Supporting Services	
Salaries and Related Expenses:									
Salaries and wages	\$ 294,543	\$ 106,246	\$ 165,901	\$ 379,097	\$ 945,787	\$ 212,264	\$ 373,735	\$ 585,999	\$ 1,531,786
Payroll taxes and related expenses	52,640	30,390	65,024	70,251	218,305	50,296	45,949	96,245	314,550
Total Salaries and Related Expenses	<u>347,183</u>	<u>136,636</u>	<u>230,925</u>	<u>449,348</u>	<u>1,164,092</u>	<u>262,560</u>	<u>419,684</u>	<u>682,244</u>	<u>1,846,336</u>
Nonsalary Related Expenses:									
Accounting fees	-	-	-	-	-	20,385	-	20,385	20,385
Advertising and marketing	300	9,066	-	318	9,684	303	282	585	10,269
Banking and merchant fees	22,554	4,741	-	444	27,739	5,326	7,143	12,469	40,208
Board and staff development	1,078	200	751	588	2,617	5,123	1,370	6,493	9,110
Carousel repair and maintenance	-	1,320	-	-	1,320	-	-	-	1,320
Carousel restoration and preservation	-	589,692	-	-	589,692	-	-	-	589,692
Cost of goods sold	618,485	-	-	-	618,485	-	-	-	618,485
Depreciation	4,835	-	12,256	3,709	20,800	2,783	3,057	5,840	26,640
Donor recognition and cultivation	907	507	-	3,279	4,693	-	38,123	38,123	42,816
Dues and subscriptions	1,210	-	-	1,199	2,409	9,638	1,619	11,257	13,666
Equipment and equipment rental	7,278	968	2,818	5,071	16,135	1,261	4,943	6,204	22,339
Facilities maintenance	1,860	-	109,558	329	111,747	508	479	987	112,734
Information technology	9,552	2,048	1,469	11,679	24,748	8,396	13,074	21,470	46,218
Insurance	232	4,664	232	2,415	7,543	28,400	-	28,400	35,943
Occupancy	-	6,451	251,421	-	257,872	-	-	-	257,872
Other	14,512	3,011	1,020	3,467	22,010	8,726	2,472	11,198	33,208
Outside services	9,365	12,848	98,805	32,995	154,013	55,661	26,067	81,728	235,741
Postage and shipping	250	510	-	617	1,377	871	4,808	5,679	7,056
Printing	25,530	5,102	150	3,448	34,230	1,620	14,570	16,190	50,420
Project expenses	-	-	-	31,924	31,924	-	-	-	31,924
Supplies	6,923	5,892	418	2,128	15,361	4,428	2,842	7,270	22,631
Telecommunications	4,861	3,206	25,696	3,093	36,856	3,962	2,205	6,167	43,023
Volunteer expense	13,949	10	-	14,974	28,933	-	-	-	28,933
Total Nonsalary Related Expenses	<u>743,681</u>	<u>650,236</u>	<u>504,594</u>	<u>121,677</u>	<u>2,020,188</u>	<u>157,391</u>	<u>123,054</u>	<u>280,445</u>	<u>2,300,633</u>
Total Expenses	<u>\$ 1,090,864</u>	<u>\$ 786,872</u>	<u>\$ 735,519</u>	<u>\$ 571,025</u>	<u>\$ 3,184,280</u>	<u>\$ 419,951</u>	<u>\$ 542,738</u>	<u>\$ 962,689</u>	<u>\$ 4,146,969</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
	Visitors Center Operations	Carousel	Facilities	Park Improvements	Total	General and Administrative	Fundraising	Total	
				Projects and Programs	Program Services			Supporting Services	
Salaries and Related Expenses:									
Salaries and wages	\$ 243,416	\$ 129,308	\$ 128,937	\$ 366,560	\$ 868,221	\$ 205,382	\$ 308,243	\$ 513,625	\$ 1,381,846
Payroll taxes and related expenses	44,216	33,318	53,335	63,736	194,605	55,076	43,682	98,758	293,363
Total Salaries and Related Expenses	<u>287,632</u>	<u>162,626</u>	<u>182,272</u>	<u>430,296</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
Board and staff development	2,175	-	-	2,261	4,436	5,771	2,263	8,034	12,470
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	-	11,410	2,512	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	-	212	6,013	8,181	5,023	5,735	10,758	18,939
Facilities maintenance	-	-	86,871	-	86,871	-	-	-	86,871
Information technology	7,598	1,585	1,130	14,640	24,953	7,712	13,130	20,842	45,795
Insurance	2,205	5,546	1,764	4,761	14,276	15,017	1,248	16,265	30,541
Occupancy	-	6,400	209,588	-	215,988	-	-	-	215,988
Other	17,255	4,222	2,979	10,308	34,764	5,574	5,237	10,811	45,575
Outside services	6,610	5,026	54,434	123,445	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	150	-	10,057	32,583	-	6,048	6,048	38,631
Project expenses	-	-	-	67,672	67,672	-	-	-	67,672
Supplies	7,061	4,402	364	11,239	23,066	5,436	1,393	6,829	29,895
Telecommunications	4,479	2,957	18,350	2,427	28,213	5,906	1,784	7,690	35,903
Volunteer expense	12,749	-	-	23,245	35,994	-	24	24	36,018
Total Nonsalary Related Expenses	<u>649,678</u>	<u>55,000</u>	<u>387,102</u>	<u>281,006</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>\$ 217,626</u>	<u>\$ 569,374</u>	<u>\$ 711,302</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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (11,151)	\$ 623,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,640	24,125
Net realized and unrealized loss (gain) on investments	6,348	(1,322)
Endowment contributions	-	(71,817)
Endowment investment (gain) loss	(21,738)	14,560
Endowment distributions	14,266	12,478
(Increase) Decrease in:		
Accounts receivable	3,369	(110,089)
Grants receivable	432,544	(582,814)
Pledges receivable, net	258,433	313,230
Inventory	(17,370)	591
Prepaid expenses	3,723	5,709
Increase (Decrease) in:		
Accounts payable and accrued expenses	347,431	130,246
Deferred revenue	(255,198)	(42,626)
Net Cash Provided by Operating Activities	<u>787,297</u>	<u>315,645</u>
<u>Cash Flows From Investing Activities:</u>		
Investment (purchases) and sales, net	(854,712)	385,807
Purchases of property and equipment	(349,964)	(108,295)
Change in beneficial interest in endowment funds	(7,472)	26,538
Net Cash (Used in) Provided by Investing Activities	<u>(1,212,148)</u>	<u>304,050</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment contributions	-	71,817
Endowment investment gain (loss)	21,738	(14,560)
Endowment distributions	(14,266)	(12,478)
Custodial funds	(30,533)	2,323
Net Cash (Used in) Provided by Financing Activities	<u>(23,061)</u>	<u>47,102</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(447,912)	666,797
Cash and Cash Equivalents at Beginning of Year	<u>4,534,567</u>	<u>3,867,770</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,086,655</u>	<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, 2023 AND 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.

Mission

The Organization’s mission is to sustain, envision, and enhance Balboa Park for all in partnership with the City of San Diego (the “City”) 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 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 structural and historic restorations of the Carousel itself, and of the historic building in which it is housed, the most recent of which were completed in July 2023. These restorations include two new roofs, roof beam structural repairs, repairs to the clerestory windows and frames, and repainting, all adhering to rigorous historic restoration standards. The Carousel provides more than 125,000 rides annually to visitors of all ages.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 300 volunteers strong, current programs include: Park Ambassadors, Tree Stewards, Tree Maintenance Volunteers, 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's Parks and Recreation Department in placemaking and Park activation endeavors, including parkwide tours, clean-ups, community tree plantings, and provisioning of volunteers for visitor services for 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. The Organization hosts high school and college level interns each year, engaging them in workforce training on landscape architecture, GIS and mapping, marketing and communications, and leadership development skills. The Organization also partners with other Park organizations to support field trip programs and summer camp programs with tours and training orientations.

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.

The Organization's lead programs and projects that sustain and enhance the Park include the following initiatives:

Urban Forest Initiative - a comprehensive tree inventory, site-specific tree plantings, sapling distribution programs, and a grant-funded initiative to plant hundreds of trees in the Park, while engaging youth and community members in learning more about caring for the Park's urban forest.

Wayfinding and Signage - implementation of recommendations for a comprehensive wayfinding strategy to improve the visitor experience and to enhance access, circulation, and orientation. This strategy encompasses redesigning, updating, and distributing a comprehensive Park map, and designing and installing wayfinding, Park identification, and pedestrian signs in several key locations within the Park.

Convenings and Awards - collaborative planning, design, and outreach, including a series of park-wide stakeholder meetings and support for programs focused specifically on horticulture and Park improvement projects. The newest project, the annual sPARK Awards celebrates creative collaboration in the Park by honoring other inspirational organizations and individuals.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 1 - Organization: (Continued)

Programs (Continued)

Park Improvement (Continued)

Gardens Enhancement – (a) upgraded gardens throughout the Park, with significant improvements to the Cactus Garden including irrigation planning, species mapping, and interpretive QR codes, elevating the stature of this neglected garden, (b) implemented pest control procedures for the Rose Garden and led the Rose Garden pergola redesign, (c) recruited and trained dozens of new Garden Stewards, and (d) managed an Adopt-a-Plot program, guiding plot adopters in creating and maintaining their designated plots.

Trail Restoration - restoration of degraded trails in the Park, including the 26th Street trail in the Golden Hill neighborhood of the Park, and a trail in the Trees for Health medicinal garden, opening up these areas of the Park for park-goers of all physical abilities; collaboration with the Park Ranger team to identify future trail restoration projects to protect biodiversity and enhance outdoor learning and recreation.

Botanical Building and Gardens

The Botanical Building and Gardens is an architectural and horticultural treasure, introducing visitors from around the world to the plethora of plants that flourish in the mild Southern California climate. Constructed for the 1915 Panama-California Exposition, the iconic building remains one of the largest wood lath structures in the world.

The shared vision for the Botanical Building and Gardens' future is to create a world-class botanical experience that inspires people to connect to nature. The facility and surrounding gardens have long been in need of revitalization, which will be accomplished through restoration of the original 1915 structure and creation of a meaningful botanical experience for the 21st century. Using federal, state, local, and private funding raised through the Organization's multi-year capital campaign, the building and gardens are being restored to their former glory, with the Organization serving as the City's private partner.

The City is leading Phase 1 of the project, which includes the full restoration of the building to its original 1915 design, recreating the series of arched openings with Palladian windows and large doors, and opening up the inside space to the surrounding gardens as intended. Updated planting designs and accessible walkways will present visitors with the wonders of biodiversity, while ensuring all visitors can enjoy the experience. State-of-the-art lighting and new irrigation systems will be added. Two new additions to the building's north façade will provide additional work space and multipurpose rooms for educational and public programming.

The Organization is leading Phase 2 of the restoration and reinvigoration of the landmark building and gardens by reconstructing the historic pergola, revitalizing the surrounding gardens, and repairing fountains and pathways. Accomplishment of this phase will provide for improved botanical collection management, an enhanced visitor experience, and expanded educational and programming use.

An important element of the Organization's capital campaign is to raise several years of funding for trained Garden Stewards volunteers to help maintain the landscapes. The Organization's corps of over 300 engaged volunteers provides daily care for the Park's 20+ gardens and 16,000 trees. Once open, the new landscapes will be one of the sites cared for by these dedicated and expertly trained volunteers.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 1 - Organization: (Continued)

Programs (Continued)

Botanical Building and Gardens (Continued)

The Organization's capital campaign also includes startup funding for public programming to engage and educate visitors of all ages, using the Botanical Building and Gardens as the learning setting. An overarching goal of this programming will be to integrate the arts, science, technology, and environmental learning using the botanical collection. K-12 field trips and support for teachers will advance science and environmental learning goals appropriate for a wide range of curricula and will be linked to state learning standards. Family-focused and arts-infused public programs will enchant visitors from across our diverse region and beyond. Youth internships will provide an introduction to careers in landscape design, horticulture, environmental conservation, and green jobs. Volunteer-led tours of the restored gardens will provide an insider glimpse into the ways in which innovative and water-smart design choices benefit this landmark public space. The revitalization and activation of this public space in the heart of San Diego will make it a valued resource and exceptional visitor experience for the Park's millions of annual visitors.

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, 2023 AND 2022

Note 2 - Significant Accounting Policies:

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, 2023 and 2022.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Significant Accounting Policies:

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 \$26,640 and \$24,125 for the years ended June 30, 2023 and 2022, 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 resulting gain or loss is recorded as revenue 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 are 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 years ended June 30, 2023 and 2022. Costs incurred in connection with the restoration and conservation of the historic treasure are expensed in the period incurred.

Compensated Absences

Accumulated unpaid vacation amounts totaling \$56,895 and \$69,350 at June 30, 2023 and 2022, respectively, are accrued when incurred and have been included in accounts payable and accrued expenses.

FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 \$1,670 and \$10,756 at June 30, 2023 and 2022, respectively, 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 \$-0- and \$3,404 for the years ended June 30, 2023 and 2022, respectively. The amount has been included in both revenue and expense in the accompanying financial statements.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 statements 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 Returns of Organization Exempt from Income Tax for the years ended June 30, 2023 and 2022 are 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, 2023 AND 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 February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 842, *Leases* (“FASB ASC 842”) to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the statement of financial position by lessees and the disclosure of key information about leasing arrangements. This standard is applied on a modified retrospective basis. FASB ASC 842 was adopted by the Organization effective July 1, 2022 with certain practical expedients available. The adoption had no effect on the financial statements for the year ended June 30, 2023.

Subsequent Events

The Organization has evaluated subsequent events through December 14, 2023, 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.

Reclassification

The Organization has reclassified certain prior year information to conform with the current year presentation.

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,963,939	\$ 4,534,567
Accounts receivable	111,600	114,969
Grants receivable	182,429	614,973
Pledges receivable	234,585	290,044
Investments	1,005,509	-
Appropriation of endowment earnings	14,000	10,000
Total financial assets	<u>5,512,062</u>	<u>5,564,553</u>
Less assets unavailable for general expenditures:		
Custodial funds	(253,413)	(283,946)
Board designated purposes	<u>(489,391)</u>	<u>(725,890)</u>
Total financial assets not available to be used within one year	<u>(742,804)</u>	<u>(1,009,836)</u>
Financial assets available for general expenditures within one year	<u>\$ 4,769,258</u>	<u>\$ 4,554,717</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, 2023 AND 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:

	2023			
	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, 2023
Municipal bonds	\$ -	\$ 2,892,615	\$ -	\$ 2,892,615
Beneficial interest in endowment funds (Note 9)	-	-	336,305	336,305
	<u>\$ -</u>	<u>\$ 2,892,615</u>	<u>\$ 336,305</u>	<u>\$ 3,228,920</u>
	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:

2023				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 336,305	Valuation of underlying assets as provided by TSDF	Base price	N/A
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

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 5 - Pledges Receivable:

Pledges receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Current:		
Due in less than one year	\$ <u>234,585</u>	\$ <u>290,044</u>
Noncurrent:		
Due in one-to-five years	320,818	536,030
Due in more than five years	3,450	4,650
Less: Discount to present value	<u>(15,189)</u>	<u>(28,627)</u>
Total Noncurrent, Net	<u>309,079</u>	<u>512,053</u>
Total Pledges Receivable, Net	<u>\$ 543,664</u>	<u>\$ 802,097</u>

The pledges receivable have been discounted to their present value using a discount rate of 1.84% for each of the years ended June 30, 2023 and 2022.

Note 6 - Investments:

Investments consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Municipal bonds	\$ <u>2,892,615</u>	\$ <u>2,044,251</u>
Financial Statement Presentation:		
Current Assets:		
Investments	\$ 1,005,509	\$ -
Noncurrent Assets:		
Endowment investments	<u>1,887,106</u>	<u>2,044,251</u>
Total Investments	<u>\$ 2,892,615</u>	<u>\$ 2,044,251</u>

The following schedule summarizes the investment gain (loss) and its classification in the statements of activities for the years ended June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 108,285	\$ -	\$ 108,285
Realized and unrealized loss	(6,348)	(11,369)	(17,717)
Investment fees	<u>(4,236)</u>	<u>(1,639)</u>	<u>(5,875)</u>
Total Investment Gain (Loss)	<u>\$ 97,701</u>	<u>\$ (13,008)</u>	<u>\$ 84,693</u>

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 6 - Investments: (Continued)

	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:

	2023	2022
Leasehold improvements	\$ 352,035	\$ 344,062
Furniture and equipment	604,589	195,894
Construction in progress	16,264	96,995
Subtotal	972,888	636,951
Less: Accumulated depreciation	(408,589)	(395,976)
Property and Equipment, Net	\$ 564,299	\$ 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 each of the years ended June 30, 2023 and 2022.

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 at June 30, 2023 of 44% global equities, 15% hedge funds, 14% private equity, 10% fixed income, 8% real estate, 5% private credit, 3% real assets and 1% cash. 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 years ended June 30:

	2023	2022
Balance at Beginning of Year	\$ 328,833	\$ 355,371
Contribution	-	500
Investment gain (loss)	21,738	(14,560)
Distributions	(14,266)	(12,478)
Balance at End of Year	\$ 336,305	\$ 328,833

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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:

	<u>2023</u>	<u>2022</u>
City of San Diego Parks and Recreation Department:		
Rose garden landscape upgrade	\$ 137,932	\$ 151,541
Dedicated Benches	16,391	17,804
Dedicated Trees	14,572	15,526
Adopt-a-Plot West Prado	14,182	14,204
Twilight concerts	-	9,247
Programming	-	5,731
Kids to Canyons	-	729
Total City of San Diego Parks and Recreation Department	183,077	214,782
Trees for Health Garden	70,336	60,378
Redwood Bridge Club	-	8,786
Total Custodial Funds	\$ 253,413	\$ 283,946

Note 11 - Rental Income:

The Organization leases restaurant space under an operating lease that matures in September 2029 at a base rate plus a percentage of gross income. The Organization also leases office space under month-to-month leases. Rental income totaled \$904,443 and \$677,897 for the years ended June 30, 2023 and 2022, respectively.

The related future minimum lease income is as follows:

<u>Years Ended June 30</u>	
2024	\$ 233,964
2025	233,964
2026	233,964
2027	233,964
2028	233,964
Thereafter	506,923
Total	\$ 1,676,743

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 12 - Board-Designated Net Assets:

The Organization's Board approved appropriations of net assets without donor restrictions totaling \$489,391 and \$725,890 at June 30, 2023 and 2022, respectively. The balances include the following designations at June 30:

	<u>2023</u>	<u>2022</u>
Operating reserve	\$ 342,134	\$ 342,134
Appropriated endowment earnings	86,238	86,238
Botanical Building	61,019	28,474
Capital reserve	-	269,044
Total Board-Designated Net Assets	<u>\$ 489,391</u>	<u>\$ 725,890</u>

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:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Botanical Building	\$ 1,535,537	\$ 1,109,036
Carousel	622,132	1,249,337
Garden funds	233,867	207,495
Wayfinding and signage	202,640	172,304
Sustainability water management	144,401	149,401
Volunteer engagement	97,829	92,083
Project improvement	52,827	10,984
Tree fund	27,991	55,307
Phelps-Wilson horticulture fund	18,498	18,207
Palm Canyon Honeymoon Bridge	13,633	13,633
Field trip	1,560	2,085
Plaza de California lights	691	692
Palm Canyon Footbridge	600	600
Support group fund	455	455
Palm Tree Weevil Remediation	348	6,325
Membership program	329	947
Gateway Monuments	195	195
Organizational capacity	-	42,031
Satellite visitor kiosk	-	24,500
Organizational change	-	1,257
Total Subject to Expenditure For Specified Purpose	<u>2,953,533</u>	<u>3,156,874</u>
Subject to the Passage of Time:		
Pledges receivable, net	<u>271,514</u>	<u>347,481</u>
Total Subject to the Passage of Time	<u>271,514</u>	<u>347,481</u>
Perpetual in Nature:		
Endowments (Note 14)	<u>2,346,127</u>	<u>2,373,401</u>
Total Net Assets with Donor Restrictions	<u>\$ 5,571,174</u>	<u>\$ 5,877,756</u>

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 years ended June 30:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Accomplished:		
Carousel	\$ 688,141	\$ 59,716
Volunteer engagement	137,073	77,752
Botanical Building	97,498	154,045
Tree fund	45,566	29,477
Organizational capacity	42,031	35,678
Satellite visitor kiosk	24,500	-
Garden funds	19,268	51,569
Palm Tree Weevil Remediation	5,977	275
Sustainability water management	5,000	-
Wayfinding and signage	4,664	16,098
Project improvement	1,466	534
Organizational change	1,257	1,794
Membership program	618	910
Field trip	524	-
Phelps-Wilson horticulture fund	109	5,228
Merger costs	-	90,000
Memorial fund	-	150
Support group fund	-	40
Total Purpose Restrictions Accomplished	<u>1,073,692</u>	<u>523,266</u>
Time Restrictions Fulfilled	185,967	230,859
Endowment Distributions	14,266	102,478
Total Net Assets Released From Restrictions	<u>\$ 1,273,925</u>	<u>\$ 856,603</u>

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, 2023 AND 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 \$128,291 and \$94,458 at June 30, 2023 and 2022, respectively.

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, 2023 AND 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:

				2023			
				Without Donor Restrictions - Earnings	With Donor Restrictions - Earnings	With Donor Restrictions - Perpetual	Total
<u>Donor-Restricted Endowment Funds:</u>							
General endowment	\$	86,238		-	\$	2,009,822	\$ 2,096,060
Beneficial interest in endowment funds held by TSDF		-		-		336,305	336,305
Total Donor-Restricted Endowment Funds	\$	86,238		-	\$	2,346,127	\$ 2,432,365
				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	\$	86,238		-	\$	2,373,401	\$ 2,459,639

**FOREVER BALBOA PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 14 - Endowment Net Assets: (Continued)

The San Diego Foundation Managed Funds (Continued)

Change in endowment net assets for the years ended June 30:

	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	86,238	-	2,373,401	2,459,639
Investment return	-	-	(13,008)	(13,008)
Appropriation of endowment assets for expenditure	-	-	(14,266)	(14,266)
Endowment Net Assets at June 30, 2023	<u>\$ 86,238</u>	<u>\$ -</u>	<u>\$ 2,346,127</u>	<u>\$ 2,432,365</u>

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 \$38,681 and \$39,763 to the Plan for the years ended June 30, 2023 and 2022, respectively.

Operating Lease

The Organization entered into a three-year operating lease with the City 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 \$95,626 and \$79,989 for the years ended June 30, 2023 and 2022, respectively.

Consolidated Appropriations Act Paycheck Protection Program

In April 2021, the Organization received a loan totaling \$246,112 from the U.S. Small Business Administration (SBA) 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 \$-0- and \$246,112 in deferred revenue at June 30, 2023 and 2022, respectively. During the year ended June 30, 2023, the SBA forgave the entire loan balance of \$246,112, and accordingly, the Organization recognized this amount as revenue.