

PARKS CALIFORNIA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED
DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Parks California
Sacramento, California**

We have audited the accompanying financial statements of Parks California (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parks California as of December 31, 2020, 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.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

GILBERT CPAs
Sacramento, California

May 11, 2021

PARKS CALIFORNIA

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 6,775,870
Contributions receivable	63,955
Prepaid expenses	<u>2,855</u>
Total Current Assets	6,842,680

DEPOSITS

15,730

PROPERTY AND EQUIPMENT, Net

77,145

TOTAL ASSETS

\$ 6,935,555

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 18,546
Accrued expenses	<u>92,526</u>
Total current liabilities	<u>111,072</u>

NET ASSETS:

Without donor restrictions	2,932,696
With donor restrictions	<u>3,891,787</u>
Total net assets	<u>6,824,483</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 6,935,555

PARKS CALIFORNIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS:

REVENUES:

Grants	\$ 1,841,478
Contributions	1,164,334
In-kind contributions	181,206
Interest income	5,120
Net assets released from restriction	<u>2,043,984</u>
Total revenues	<u>5,236,122</u>

EXPENSES:

Program services	1,462,514
Supporting services:	
Fundraising	620,947
Management and general	<u>219,965</u>
Total expenses	<u>2,303,426</u>

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 2,932,696

NET ASSETS WITH DONOR RESTRICTIONS:

Contributions	5,935,771
Net assets released from restrictions	<u>(2,043,984)</u>

INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS 3,891,787

INCREASE IN NET ASSETS 6,824,483

NET ASSETS, Beginning of Year -

NET ASSETS, End of Year \$ 6,824,483

PARKS CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	Supporting Services			<u>Total</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries and wages	\$ 564,481	\$ 274,037	\$ 129,626	\$ 968,144
Grants and other assistance	522,747			522,747
Employee benefits and taxes	165,403	79,645	40,108	285,156
Communications and marketing	52,555	154,440	11,555	218,550
Rent	57,929	28,137	13,241	99,307
Professional services	52,878	25,986	8,488	87,352
Special events		33,844	79	33,923
Software and hosting services	14,233	7,292	3,174	24,699
Travel	5,612	11,070	7,261	23,943
Sponsorships	16,794	191		16,985
Insurance	4,356	2,115	999	7,470
Office equipment and supplies	1,953	502	1,679	4,134
Depreciation	1,617	1,505	303	3,425
Board expenses			1,282	1,282
Postage and shipping	383	410	380	1,173
Printing and copying	258	299	350	907
Conferences	575	254	26	855
Business fees	155	195	50	400
Other expenses	585	1,025	1,364	2,974
Total	<u>\$ 1,462,514</u>	<u>\$ 620,947</u>	<u>\$ 219,965</u>	<u>\$ 2,303,426</u>

PARKS CALIFORNIA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 6,824,483
Reconciliation to net cash provided by operating activities:	
Depreciation	3,425
Receipt of donated property and equipment	(10,350)
Changes in:	
Contributions receivable	(63,955)
Cash held in Niagara rebate pool	
Rent deposit	
Prepaid expenses	(2,855)
Deposits	(15,730)
Accounts payable	18,546
Accrued expenses	92,526
Net cash provided by operating activities	6,846,090

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(70,220)
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NET INCREASE IN CASH AND CASH EQUIVALENTS 6,775,870

CASH AND CASH EQUIVALENTS, Beginning of Year -

CASH AND CASH EQUIVALENTS, End of Year \$ 6,775,870

NON-CASH INVESTING TRANSACTIONS:

Receipt of donated property and equipment	\$ 10,350
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PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Parks California (Organization) commenced principal operations in 2020. The Organization is a California nonprofit organization that is a statutory partner of California State Parks. The Organization builds and strengthens California State Parks, from urban parks in the hearts of our cities and beaches along our iconic coast, to historic parks celebrating the ingenuity of humanity, by developing meaningful partnerships with government agencies, businesses, nonprofits, and communities to expand programs, amenities, and resources that welcome multi-generational and diverse visitors to state parks and public lands. The Organization works collaboratively to create new and inspiring ways for everyone throughout California to make lifelong connections with nature and build a new generation of people who love and want to care for California's state parks.

Basis of presentation – The financial statements are presented in conformity with professional standards applicable to not-for-profit entities. The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. All 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. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents – For financial statement purposes, the Organization considers all investments, including money market funds, with an initial maturity of three months or less to be cash equivalents.

Contributions receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. All contributions receivable as of December 31, 2020 are expected to be collected within one year. Management believes that there are no significant uncollectible receivable balances, accordingly, no allowance for doubtful accounts has been recorded.

Property and equipment are stated at cost, or if donated, at the estimated fair market value at the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$2,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from three to 10 years.

Revenue recognition – Contributions, including grants and contracts obtained from private foundations, other nonprofit organizations, and individual donors, are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire, or the contributions are used for the restricted purpose.

Donations of materials, equipment, and professional services are recorded as in-kind contributions and recognized at the estimated fair value as of the date of donation or service. For the year ended December 31, 2020, the Organization received \$10,350 in donated property and equipment, \$17,005 in donated materials, \$24,231 of donated facilities, and \$129,620 of donated services for advertising for public service announcements, which are included in communications and marketing expense.

Grants awarded – The Organization recognizes grant expense at the time grant negotiations are substantially complete with the grantee and the grant award has been approved by management or the Board of Directors. Grants that have been determined to be conditional, which depend on the occurrence of specified uncertain events, are not recorded until the conditions have been met. Approximate outstanding conditional grants awarded were \$107,450 at December 31, 2020 and will be recognized as expense as the conditions are met.

Contracts awarded – The Organization contracts with consultants that provide a variety of services to the Organization's programs. These contracts are considered exchange transactions as the Organization receives commensurate value for the services provided. The Organization recognizes contract expenses as services or work is performed or expected to be performed.

Functional expenses – The costs of providing the programs and supporting services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, which are allocated to programs and supporting services on the basis of periodic time and expense studies. All other expenses are allocated directly or based on estimates of usage based on full time equivalency determined at the beginning of each fiscal year. The Organization accounts for its expenditures in the following categories:

Program services – Expenditures are related to a broad range of activities necessary to accomplish the Organization's park projects, including development of park programs that raise awareness of State Parks and grants to help remove barriers to park access.

Fundraising – Expenditures are related to time spent on developing new programs, preparing proposals and soliciting contributions.

Management and general – Expenditures are related to building and maintaining an efficient business infrastructure, including oversight, business and financial management, governance, general recordkeeping, budgeting, and all management and administration, except for that which is related to fundraising or is directly attributable to the conduct of program services.

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Income taxes – The Organization is publicly supported and 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.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Future accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending December 31, 2022. The Organization is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been evaluated through May 11, 2021, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2020, that require recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date of December 31, 2020 for general expenditures are as follows:

Cash and cash equivalents	\$ 6,775,870
Contributions receivable	<u>63,955</u>
Total financial assets	6,839,825
Less amounts unavailable for general expenditure within one year due to donor restrictions	<u>(3,891,787)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,948,038</u>

The Organization's liquidity management policy is designed to ensure that financial assets are available as its expenditures, liabilities, and other obligations come due. The Organization utilizes the services of Morgan Stanley to ensure that all program funds received are in highly liquid investments (money market funds) to allow immediate access to cash at any given time.

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2020:

Furniture and equipment	\$ 6,625
Website	<u>73,945</u>
Total	80,570
Less accumulated depreciation	<u>(3,425)</u>
Property and equipment, net	<u>\$ 77,145</u>

4. OPERATING LEASES

The Organization leases office space under long-term operating lease agreements expiring at various dates through June 2023. Rent expense under all operating leases was \$99,307 for 2020. Future minimum payments under these leases are as follows:

Year ending December 31:

2021	\$ 80,060
2022	21,900
2023	<u>20,075</u>
Total	<u>\$ 122,035</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 consist of unspent funds restricted for the following uses:

Capacity building	\$ 1,931,597
Resource stewardship	1,099,386
Access	551,120
Program building	240,377
Wildfire relief	64,043
Other programs	<u>5,264</u>
Total	<u>\$ 3,891,787</u>

6. CONCENTRATIONS

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. The balances at times may exceed federally insured limits. The Organization's deposits held with financial institutions in excess of federal depository insurance limits were \$6,114,875 as of December 31, 2020. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

The Organization has two major donors that accounted for 78% of total contribution and grant revenues in 2020.

7. RETIREMENT PLAN

The Organization sponsors a safe harbor plan under IRC Section 401(k). All full-time employees are eligible to participate upon their date of hire. The Organization matches 100% of employee deferrals up to 5% of employee compensation. Participants may elect to defer an amount of their compensation each year not to exceed the dollar limit that is set by law. All contributions are fully vested. Total contributions under the plan were \$43,353 for 2020.

8. RISKS AND UNCERTANTIES

As a result of the ongoing COVID-19 pandemic, economic uncertainties have arisen which could have a negative impact on the Organization through business disruption or decreases in funding. While the impact is expected to be temporary, the potential financial impact and duration cannot be reasonably estimated at this time.