

PARKS CALIFORNIA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED
DECEMBER 31, 2021 AND 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 statements of financial position as of December 31, 2021 and 2020, 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 Parks California as of December 31, 2021 and 2020, 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 Parks California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Parks California'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 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 Parks California'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 Parks California'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.



GILBERT CPAs
Sacramento, California

April 20, 2022

PARKS CALIFORNIA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,141,710	\$ 6,775,870
Contributions receivable	26,400	63,955
Accounts receivable	12,894	
Prepaid expenses	<u>20,061</u>	<u>2,855</u>
Total current assets	7,201,065	6,842,680
DEPOSITS	6,685	15,730
PROPERTY AND EQUIPMENT, Net	<u>75,398</u>	<u>77,145</u>
TOTAL ASSETS	<u>\$ 7,283,148</u>	<u>\$ 6,935,555</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 37,874	\$ 18,546
Grants payable	40,500	
Accrued expenses	118,996	92,526
Deferred revenue	<u>1,976,436</u>	
Total current liabilities	<u>2,173,806</u>	<u>111,072</u>
NET ASSETS:		
Without donor restrictions	2,813,009	2,932,696
With donor restrictions	<u>2,296,333</u>	<u>3,891,787</u>
Total net assets	<u>5,109,342</u>	<u>6,824,483</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,283,148</u>	<u>\$ 6,935,555</u>

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

PARKS CALIFORNIA
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>2021</u>	<u>2020</u>
REVENUES:		
In-kind contributions	\$ 480,437	\$ 181,206
Contributions	129,344	1,164,334
Contract revenue	118,746	
Interest and other income	2,292	5,120
Grants		1,841,478
Net assets released from restriction	<u>2,841,777</u>	<u>2,043,984</u>
Total revenues	<u>3,572,596</u>	<u>5,236,122</u>
EXPENSES:		
Program services	2,259,659	1,462,514
Supporting services:		
Fundraising	1,174,061	620,947
Management and general	<u>258,563</u>	<u>219,965</u>
Total expenses	<u>3,692,283</u>	<u>2,303,426</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(119,687)</u>	<u>2,932,696</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	1,246,323	5,935,771
Net assets released from restrictions	<u>(2,841,777)</u>	<u>(2,043,984)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(1,595,454)</u>	<u>3,891,787</u>
INCREASE (DECREASE) IN NET ASSETS	(1,715,141)	6,824,483
NET ASSETS, Beginning of Year	<u>6,824,483</u>	<u> </u>
NET ASSETS, End of Year	<u>\$ 5,109,342</u>	<u>\$ 6,824,483</u>

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

PARKS CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	Supporting Services			<u>Total</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries and wages	\$ 712,508	\$ 372,700	\$ 161,503	\$ 1,246,711
Grants and other assistance	981,297	177	77	981,551
Communications and marketing	103,670	561,223	17,384	682,277
Employee benefits and taxes	215,519	148,419	47,156	411,094
Professional services	95,897	26,421	9,523	131,841
Rent	50,733	26,701	11,571	89,005
Software and hosting services	26,489	10,352	3,586	40,427
Sponsorships	30,000			30,000
Travel	15,196	5,506	1,205	21,907
Depreciation	9,236	6,679	1,997	17,912
Special events	737	8,467		9,204
Conferences	5,217	80	13	5,310
Office equipment and supplies	2,691	1,502	570	4,763
Insurance	1,749	921	399	3,069
Printing and copying	1,849	453	196	2,498
Board expenses	51	100	2,155	2,306
Postage and shipping	786	983	189	1,958
Business fees	97	912	318	1,327
Other expenses	5,937	2,465	721	9,123
Total	\$ 2,259,659	\$ 1,174,061	\$ 258,563	\$ 3,692,283

PARKS CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	<u>Supporting Services</u>			<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
Communications and marketing	52,555	154,440	11,555	218,550
Employee benefits and taxes	165,403	79,645	40,108	285,156
Professional services	52,878	25,986	8,488	87,352
Rent	57,929	28,137	13,241	99,307
Software and hosting services	14,233	7,292	3,174	24,699
Sponsorships	16,794	191		16,985
Travel	5,612	11,070	7,261	23,943
Depreciation	1,617	1,505	303	3,425
Special events		33,844	79	33,923
Conferences	575	254	26	855
Office equipment and supplies	1,953	502	1,679	4,134
Insurance	4,356	2,115	999	7,470
Printing and copying	258	299	350	907
Board expenses			1,282	1,282
Postage and shipping	383	410	380	1,173
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>

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

PARKS CALIFORNIA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (1,715,141)	\$ 6,824,483
Reconciliation to net cash provided by operating activities:		
Depreciation	17,912	3,425
Receipt of donated property and equipment		(10,350)
Loss on disposal of property and equipment	2,024	
Changes in:		
Contributions receivable	37,555	(63,955)
Accounts receivable	(12,894)	
Prepaid expenses	(17,206)	(2,855)
Deposits	9,045	(15,730)
Accounts payable	19,328	18,546
Grants payable	40,500	
Accrued expenses	26,470	92,526
Deferred revenue	1,976,436	
Net cash provided by operating activities	<u>384,029</u>	<u>6,846,090</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(18,189)</u>	<u>(70,220)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	365,840	6,775,870
 CASH AND CASH EQUIVALENTS, Beginning of Year	<u>6,775,870</u>	<u> </u>
 CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 7,141,710</u>	<u>\$ 6,775,870</u>
 NON-CASH INVESTING TRANSACTIONS:		
Receipt of donated property and equipment	\$	\$ 10,350

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 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, 2021 and 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.

Accounts receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes there are no significant uncollectible receivable balances.

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 ten years.

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Revenue recognition – Contributions 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 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.

The Organization's revenue from contract agreements is primarily with the Department of Parks and Recreation. These revenues are recognized at the point in time the specific performance obligations are met or over time based on percentage of completion or costs incurred, as outlined in the agreements. Payment terms are outlined in the agreements and vary based on the objectives and structure of the contracts. All revenues from contracts recognized by the Organization during 2021 were recognized at a point in time when the performance obligation was met.

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability. The balance of contract liabilities from contracts was \$1,976,436 at December 31, 2021. There were no contract liabilities from contracts at December 31, 2020. Accounts receivable from contract revenue was \$12,894 at December 31, 2021. There were no accounts receivable balances from contracts at December 31, 2020.

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 \$829,094 and \$107,450 at December 31, 2021 and 2020, respectively, 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.

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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.

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 April 20, 2022, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2021, 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 for general expenditures are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,141,710	\$ 6,775,870
Contributions receivable	26,400	63,955
Contracts receivable	12,894	
Total financial assets	<u>7,181,004</u>	<u>6,839,825</u>
Less amounts unavailable for general expenditure within one year due to donor restrictions	<u>(2,296,333)</u>	<u>(3,891,787)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,884,671</u>	<u>\$ 2,948,038</u>

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 22,606	\$ 6,625
Website	73,945	73,945
Total	96,551	80,570
Less accumulated depreciation	(21,153)	(3,425)
Property and equipment, net	<u>\$ 75,398</u>	<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 \$86,883 and \$99,307 for 2021 and 2020, respectively. Future minimum payments under these leases are as follows:

Year ending December 31:

2022	\$ 54,540
2023	47,275
Total	<u>\$ 101,815</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Resource stewardship	\$ 898,202	\$ 1,099,386
Access	751,734	551,120
Capacity building	452,177	1,931,597
Program building	190,867	240,377
Wildfire relief		64,043
Other programs	3,353	5,264
Total	<u>\$ 2,296,333</u>	<u>\$ 3,891,787</u>

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

6. IN-KIND CONTRIBUTIONS

The Organization received gifts-in-kind for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Advertising services	\$ 477,540	\$ 129,620
Materials	2,897	17,005
Use of facilities		24,231
Property and equipment		10,350
Total	<u>\$ 480,437</u>	<u>\$ 181,206</u>

Donations of professional services, materials, and equipment are recorded as in-kind contributions and recognized at the estimated fair value as of the date of the donation or service. The Organization's policy related to in-kind contributions is to use the assets given to carry out the mission of the Organization.

7. 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 \$6,386,114 and \$6,114,875 as of December 31, 2021 and 2020, respectively. 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.

The Organization has two major donors that accounted for 50% and 78% of total contribution and grant revenues in 2021 and 2020, respectively.

8. 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 \$53,608 and \$43,353 for 2021 and 2020, respectively.