

PARKS CALIFORNIA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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, 2022 and 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 the Park 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

June 2, 2023

PARKS CALIFORNIA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,992,802	\$ 7,141,710
Contributions receivable	865,750	26,400
Accounts receivable	264,068	12,894
Prepaid expenses	20,674	20,061
Operating lease, right-of-use asset	20,014	
Total current assets	8,163,308	7,201,065
 DEPOSITS	 6,685	 6,685
 PROPERTY AND EQUIPMENT, Net	 <u>63,420</u>	 <u>75,398</u>
 TOTAL ASSETS	 <u>\$ 8,233,413</u>	 <u>\$ 7,283,148</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 159,777	\$ 37,874
Grants payable	80,447	40,500
Accrued expenses	163,110	118,996
Deferred revenue	2,954,491	1,976,436
Operating lease liability	20,014	
Total current liabilities	3,377,839	2,173,806
 NET ASSETS:		
Without donor restrictions	1,728,696	2,813,009
With donor restrictions	3,126,878	2,296,333
Total net assets	4,855,574	5,109,342
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,233,413</u>	 <u>\$ 7,283,148</u>

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

PARKS CALIFORNIA
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>2022</u>	<u>2021</u>
REVENUES:		
Contract revenue	\$ 1,276,164	\$ 118,746
Contributions	215,728	129,344
Interest and other income	122,439	2,292
In-kind contributions	4,043	480,437
Net assets released from restriction	<u>1,776,455</u>	<u>2,841,777</u>
Total revenues	<u>3,394,829</u>	<u>3,572,596</u>
EXPENSES:		
Program services	3,511,146	2,259,659
Supporting services:		
Fundraising	675,734	1,174,061
Management and general	<u>292,262</u>	<u>258,563</u>
Total expenses	<u>4,479,142</u>	<u>3,692,283</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(1,084,313)</u>	<u>(119,687)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	2,607,000	1,246,323
Net assets released from restrictions	<u>(1,776,455)</u>	<u>(2,841,777)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>830,545</u>	<u>(1,595,454)</u>
DECREASE IN NET ASSETS	(253,768)	(1,715,141)
NET ASSETS, Beginning of Year	<u>5,109,342</u>	<u>6,824,483</u>
NET ASSETS, End of Year	<u>\$ 4,855,574</u>	<u>\$ 5,109,342</u>

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

PARKS CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2022

	Supporting Services			<u>Total</u>
	<u>Program services</u>	<u>Fundraising</u>	<u>Management and general</u>	
Salaries and wages	\$ 1,125,327	\$ 407,977	\$ 169,990	\$ 1,703,294
Grants and other assistance	946,955			946,955
Professional services	722,935	32,859	37,705	793,499
Employee benefits and taxes	340,563	115,408	47,159	503,130
Communications and marketing	169,588	32,526	10,746	212,860
Travel	42,986	14,807	3,076	60,869
Rent	40,380	14,395	5,671	60,446
Special events	11,647	32,996	927	45,570
Software and hosting services	28,698	10,663	3,123	42,484
Office equipment and supplies	30,873	1,366	335	32,574
Depreciation	11,939	6,382	1,698	20,019
Sponsorships	14,450			14,450
Printing and copying	9,666	365	96	10,127
Board Expenses			9,696	9,696
Insurance	2,962	1,111	438	4,511
Conferences	4,393	113		4,506
Postage and shipping	1,671	738	189	2,598
Business fees	13	550	238	801
Other expenses	6,100	3,478	1,175	10,753
Total	<u>\$ 3,511,146</u>	<u>\$ 675,734</u>	<u>\$ 292,262</u>	<u>\$ 4,479,142</u>

PARKS CALIFORNIA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

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

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

PARKS CALIFORNIA

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (253,768)	\$ (1,715,141)
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	20,019	17,912
Loss on disposal of property and equipment	1,861	2,024
Non-cash operating lease expense	21,707	
Changes in:		
Contributions receivable	(839,350)	37,555
Accounts receivable	(251,174)	(12,894)
Prepaid expenses	(613)	(17,206)
Deposits		9,045
Accounts payable	121,350	19,328
Grants payable	40,500	40,500
Accrued expenses	44,114	26,470
Deferred revenue	978,055	1,976,436
Operating lease liability	(21,707)	
Net cash provided (used) by operating activities	<u>(139,006)</u>	<u>384,029</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(9,902)</u>	<u>(18,189)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (148,908)	 365,840
 CASH AND CASH EQUIVALENTS, Beginning of Year	 <u>7,141,710</u>	 <u>6,775,870</u>
 CASH AND CASH EQUIVALENTS, End of Year	 <u>\$ 6,992,802</u>	 <u>\$ 7,141,710</u>
 NON-CASH INVESTING TRANSACTIONS:		
Right-of-use asset upon adoption of ASC 842	\$ 41,721	\$ -

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 brings innovative opportunities and thought-leadership to bear in providing sustainable funding, partnership, and impact-at-scale for California's treasured and storied landscapes. Together with California State Parks and community partners, the Organization continues to root its efforts in strengthening the state parks for all people into the future.

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, 2022, and 2021 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.

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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.

Leases – The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization has made an accounting policy election to use the risk-free rate at the lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. The Organization reports ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

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 2022 and 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 \$2,954,491 and \$1,976,436 at December 31, 2022 and 2021, respectively. There were no contract liability balances at December 31, 2020. Accounts receivable from contract revenue was \$264,068 and \$12,894 at December 31, 2022 and 2021, respectively. There were no accounts receivable from contract revenue 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 \$530,045 and \$829,094 at December 31, 2022 and 2021, respectively, and will be recognized as expense as the conditions are met.

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 collaborating on the development of new programs, preparing funding proposals, soliciting contributions, cultivating and stewarding donors. And reporting to funders on the program results and impacts.

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.

Recent accounting pronouncement – Effective January 1, 2022, the Organization adopted Accounting Standards Codification (ASC) 842, *Leases* using the modified retrospective approach with January 1, 2022, as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring companies that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, the Organization applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, the Organization applied the practical expedient to use hindsight for the purpose of determining the lease term.

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of \$41,721 as of January 1, 2022. There is no cumulative effect adjustment to net assets at the transition date.

Effective for the year ended December 31, 2022, and applied retrospectively, the Organization implemented ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

Subsequent events have been evaluated through June 2, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2022, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,992,802	\$ 7,141,710
Contributions receivable	865,750	26,400
Contracts receivable	<u>264,068</u>	<u>12,894</u>
Total financial assets	8,122,620	7,181,004
Less amounts unavailable for general expenditure within one year due to donor restrictions	<u>(3,126,878)</u>	<u>(2,296,333)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,995,742</u>	<u>\$ 4,884,671</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, 2022 AND 2021

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 30,081	\$ 22,606
Website	73,945	73,945
Total	<u>104,026</u>	<u>96,551</u>
Less accumulated depreciation	<u>(40,606)</u>	<u>(21,153)</u>
Property and equipment, net	<u>\$ 63,420</u>	<u>\$ 75,398</u>

4. OPERATING LEASES

The Organization leases office space under an operating lease agreement that expires November 2023, which is included on the statement of financial position as of December 31, 2022, as an ROU asset and operating lease liability of \$20,014. The ROU asset and operating lease liability were calculated using a risk-free discount rate of .61%. Lease expense for this lease totaled \$21,900 for 2022. Cash paid for amounts included in the measurement of operating lease liabilities totaled \$21,900 for 2022. Maturities of the lease liability for this lease, are as follows:

Year ending December 31:

2023	\$ 20,075
Less: present value discount	<u>(61)</u>
Total lease obligations	<u>\$ 20,014</u>

Prior to the implementation of ASC 842 in 2022, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for all operating leases under ASC 840 was \$86,883 for 2021.

5. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Access	\$ 2,191,120	\$ 751,784
Resource stewardship	660,100	898,202
Career pathways	160,998	
Program building	81,808	190,867
Capacity building		452,177
Other programs	<u>32,852</u>	<u>3,353</u>
Total	<u>\$ 3,126,878</u>	<u>\$ 2,296,333</u>

PARKS CALIFORNIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

6. IN-KIND CONTRIBUTIONS

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

	<u>2022</u>	<u>2021</u>
Materials	\$ 4,043	\$ 2,897
Advertising services		477,540
Total	<u>\$ 4,043</u>	<u>\$ 480,437</u>

Donations of materials, and professional services 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. All in-kind contributions received by the Organization for the years ended December 31, 2022 and 2021 were considered without donor restrictions and were able to be used by the Organization as determined by the Board and management.

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 \$6,519,023 and \$6,386,114 as of December 31, 2022 and 2021, 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 46% and 50% of total contribution revenues in 2022 and 2021, 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 \$75,020 and \$53,608 for 2022 and 2021, respectively.