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THE SAN DIEGO RIVER PARK FOUNDATION
Audited Financial Statements
Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The San Diego River Park Foundation

We have audited the accompanying financial statements of The San Diego River Park Foundation (TSDRPF), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities 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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TSDRPF as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

August 2, 2021


Munger & Company, CPAs

THE SAN DIEGO RIVER PARK FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With Comparative Totals for December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
OPERATING ASSETS:		
Cash	\$ 265,907	\$ 200,389
Restricted cash	548,631	1,048,043
Grants receivable	111,709	380,280
Promises to give, net of discount of \$3,354	169,149	225,565
Deposits and prepaid expenses	7,473	19,929
Inventory	9,472	9,472
Total Operating Assets	<u>1,112,341</u>	<u>1,883,678</u>
INVESTMENT ASSETS:		
Marketable securities	71,677	48,820
Endowment funds	157,321	141,482
Total Investment Assets	<u>228,998</u>	<u>190,302</u>
FIXED ASSETS:		
Property	18,666,505	18,618,354
Construction in Progress	637,777	-
Furniture and equipment	99,925	99,925
Less: accumulated depreciation	(81,402)	(76,338)
Total Fixed Assets	<u>19,322,805</u>	<u>18,641,941</u>
TOTAL ASSETS	\$ <u>20,664,144</u>	\$ <u>20,715,921</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 29,642	\$ 258,073
Notes payable	588,532	671,221
Total Liabilities	<u>618,174</u>	<u>929,294</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	436,596	400,817
Invested in fixed assets, net of related debt	18,734,273	17,970,720
	<u>19,170,869</u>	<u>18,371,537</u>
With donor restrictions		
Perpetual in nature	131,520	131,520
Purpose restrictions	743,581	1,283,570
	<u>875,101</u>	<u>1,415,090</u>
Total Net Assets	<u>20,045,970</u>	<u>19,786,627</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>20,664,144</u>	\$ <u>20,715,921</u>

The Accompanying Notes are an Integral Part of the Financial Statements

The San Diego River Park Foundation
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
REVENUES AND SUPPORT:				
Grants and Contributions	\$ 554,524	\$ 506,916	\$ 1,061,440	2,458,353
In-kind contributions	12,202		12,202	23,548
Contracts and service fees	65,156		65,156	129,024
Interest income	1,172		1,172	659
Gain on investments	17,808		17,808	18,995
Other	121		121	-
Net assets released from restrictions:				
Restrictions satisfied by payments	1,046,905	(1,046,905)	-	-
Total Revenues and Support	<u>1,697,888</u>	<u>(539,989)</u>	<u>1,157,899</u>	<u>2,630,579</u>
EXPENSES:				
Program Services:				
Healthy River Healthy Community	169,252		169,252	177,228
Watershed Stewardship	130,902		130,902	328,959
Youth Nature Education	58,345		58,345	72,539
SD River Park and Trail System	43,646		43,646	55,055
Discovery Center	197,472		197,472	1,225,100
Community Engagement	98,646		98,646	321,363
Total Program Services	698,263	-	698,263	2,180,244
Supporting Services:				
Management and General	112,192		112,192	117,678
Fundraising	88,101		88,101	96,816
Total Supporting Services	<u>200,293</u>	<u>-</u>	<u>200,293</u>	<u>214,494</u>
Total Expenses	<u>898,556</u>	<u>-</u>	<u>898,556</u>	<u>2,394,738</u>
Change in Net Assets	799,332	(539,989)	259,343	235,841
Net Assets - Beginning of Year	<u>18,371,537</u>	<u>1,415,090</u>	<u>19,786,627</u>	<u>19,550,786</u>
Net Assets - End of Year	<u>\$ 19,170,869</u>	<u>\$ 875,101</u>	<u>\$ 20,045,970</u>	<u>\$ 19,786,627</u>

The Accompanying Notes are an Integral Part of the Financial Statements

The San Diego River Park Foundation
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Program Services				Supporting Services		2020 Total	2019 Total
	Healthy River Community	Watershed Stewardship	Youth Nature Education	SD River Park and Trail System	Discovery Center	Community Engagement		
EXPENSES:								
Personnel Costs:								
Salaries	\$ 96,349	\$ 68,216	\$ 34,675	\$ 28,068	\$ 10,461	\$ 73,428	\$ 311,197	\$ 560,538
Payroll Taxes	7,738	5,530	2,816	2,281	876	5,897	25,138	45,178
Benefits	13,547	8,461	4,922	3,361	1,142	10,863	42,296	50,878
Total Personnel Costs	<u>117,634</u>	<u>82,207</u>	<u>42,413</u>	<u>33,710</u>	<u>12,479</u>	<u>90,188</u>	<u>378,631</u>	<u>656,594</u>
Non-Personnel Costs:								
Accounting	2,460	1,239	596	558	131	1,115	6,099	31,775
Advertising	179	75	37	53	9	15	15	36,178
Bank fees		24,119		1,998	166,802	62	415	3,131
Subcontract and consulting	70		35	35		10,000	202,919	1,258,780
Conferences and meetings	5,064						140	100
Depreciation	120	87	116	247	14	111	5,064	18,323
Dues and subscriptions	1,005	643	534	265	92	1,163	695	1,157
Information Technology	3,332	2,339	1,193	947	341	2,608	3,702	8,562
Insurance							10,760	33,940
Interest				3,724			3,724	
Office	2,273	2,254	796	623	210	2,511	8,667	59,681
Occupancy	13,371	8,969	4,568	3,662	1,250	9,937	41,757	8,253
Program	5,752	6,338	6,656	646	1,177	4,510	25,079	54,108
Taxes, licenses and fees	408	1,436	50	(8,237)	11,854	82	5,593	87,939
Other		275				68	343	125,942
Interfund transfers	16,493	350	350	4,215	3,000	(24,058)		
Travel	1,091	1,196	726	1,200	113	334	4,660	
Total Non-personnel costs	<u>51,618</u>	<u>48,695</u>	<u>15,932</u>	<u>9,936</u>	<u>184,993</u>	<u>8,458</u>	<u>319,632</u>	<u>1,738,144</u>
TOTAL EXPENSES	\$ 169,252	\$ 130,902	\$ 58,345	\$ 43,646	\$ 197,472	\$ 98,646	\$ 698,263	\$ 2,394,738

The Accompanying Notes are an Integral Part of the Financial Statements

The San Diego River Park Foundation
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 259,343	\$ 235,841
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,064	18,323
Contribution through San Diego Foundation	-	(111,520)
Realized and unrealized (gains) on investments	(33,647)	(28,930)
Realized and unrealized (gains) on endowment fund	15,839	9,935
(Increase) decrease in:		
Accounts receivable	268,571	(71,729)
Promises to give	56,416	(225,565)
Prepaid expenses	12,456	(12,615)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(228,431)	233,193
Deferred revenue	-	(76,955)
Interest payable	-	(76,655)
Net cash provided by (used in) operating activities	<u>355,611</u>	<u>(106,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	(48,151)	(14,366)
Purchases of construction in progress	(637,777)	-
Purchase of investments	(20,888)	-
Net cash provided by (used in) investing activities	<u>(706,816)</u>	<u>(14,366)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on note payable	288,532	300,000
Payments on loan payable	(371,221)	(636,279)
Net cash (used) in financing activities	<u>(82,689)</u>	<u>(336,279)</u>
Net Change in Cash	(433,894)	(457,322)
Cash at Beginning of Year	<u>1,248,432</u>	<u>1,705,754</u>
Cash at End of Year	<u>\$ 814,538</u>	<u>\$ 1,248,432</u>
Supplemental Disclosure:		
Cash	\$ 265,907	200,389
Restricted Cash	<u>548,631</u>	<u>1,048,043</u>
Total Cash	<u>814,538</u>	<u>1,248,432</u>
Cash paid for interest	<u>\$ 3,724</u>	<u>\$ 136,336</u>

The Accompanying Notes are an Integral Part of the Financial Statements

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2020

Note 1. Organization:

The San Diego River Park Foundation (TSDRPF) is a nonprofit public benefit corporation incorporated in 2001. The mission of TSDRPF is dedicated to fostering stewardship and appreciation of the region's namesake waterway. In order to protect and enhance the San Diego River as a place for recreation, habitat, and nature discovery, TSDRPF is dedicated to engaging people to be stewards of the River and working towards the vision of a 52-mile, river-long system of parks, open spaces, and community places.

Healthy River Healthy Community: This program works towards a trash-free and healthy San Diego River through monitoring, surveying, and targeted actions as well as serving as an expert on the condition of the San Diego River and its 440 square mile watershed. Portions of the watershed are on the EPA's impaired water list and this program takes a leadership role in citizen science and stewardship.

Watershed Stewardship: This program includes TSDRPF efforts to restore and care for portions of the upper reaches of the San Diego River, considered a globally significant ecosystem with perhaps the most biodiversity of any place in the continental United States and elsewhere. This program also works to acquire and manage critical pieces of the watershed to advance biological integrity while providing outdoor recreation, public enjoyment, and scenic preservation.

Youth Nature Education: The key to the future health of the San Diego River and associated ecosystems is fostering education and understanding youth. This program organizes hands-on learning experiences both along the River and at one of the TSDRPF's three open space preserves. TSDRPF also attends community festivals and other events to reach additional children.

San Diego River Park Trail System: This program works to advance the establishment of a 52-mile long park and trail system along the River. TSDRPF is recognized as the leading nonprofit champion of this vision as it led the effort to create the conceptual plan for the project. TSDRPF is working to complete sections of the trail, advocate for parks to be included in development projects and its own projects. TSDRPF continues to secure permits for the Discovery Center at Grant Park, a 17-acre education center and neighborhood park.

Community Engagement: A signature program of TSDRPF is to engage people in creating a better future for the San Diego River. This program brings together dozens of organizations and public agencies to host the annual San Diego River Days as well as other events. In addition, the program helps to manage four public park areas and works in other areas to organize volunteer and other activities.

Discovery Center: The Discovery Center at Grant Park is a program that also includes a construction project of an outdoor learning center on 17 acres of land. The initial incurred costs for the project are capitalized once the conceptual in nature and pre-construction phase is completed. During 2020, the Discovery Center began with the initial construction phase.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, resulting in related receivables and payables.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 2. Significant Accounting Policies:

Cash and Cash Equivalents

TSDRPF considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. There were no cash equivalents as of December 31, 2020.

Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for programs and promises to give. TSDRPF determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2020, no allowance was deemed necessary as all amounts are expected to be collected.

Promises to Give

Unconditional promises to give that are expected to be collected within one year at net realizable value are recorded. 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 statements of activities. The allowance for uncollectable promises to give are determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. The amounts expected to be collected over the next four years are as follows for the years ended December 31, 2021 - \$84,503, 2022 - \$61,000, 2023 - \$26,000 and 2024 - \$1,000. Total promises to give were \$172,503 at December 31, 2020. The present value discount on the promises to give totaled \$3,354 at December 31, 2020. Management expects all promises to give to be collected in full.

Inventory

Inventory comprises primarily of books for resale. Inventory is stated at the lower of cost or market determined by the first-in first-out method. Obsolete inventory is charged to expense when identified. TSDRPF determined that a reserve for slow-moving inventory for the year ended December 31, 2020 is not necessary.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 2. Significant Accounting Policies (continued):

Property and Equipment

TSDRPF records property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets which are seven years for vehicles and the telephone system, five years certain program equipment and three years for the remaining equipment or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

TSDRPF reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

Beneficial Interest in Assets Held by Community Foundation

During prior years, TSDRPF established an endowment fund that is perpetual in nature (the fund) under the San Diego Foundation's program and named TSDRPF as beneficiary. TSDRPF granted variance power to the San Diego Foundation, which allows the San Diego Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the San Diego Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the San Diego Foundation for TSDRPF's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Investments

TSDRPF records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of TSDRPF. Accumulated sick leave benefits are not recognized as liabilities of TSDRPF. The accumulated unpaid employee vacation balance was \$15,575 at December 31, 2020.

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2020

Note 2. Significant Accounting Policies (continued):

Net Assets

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 therein 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. TSDRPF reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized from sales of products and services when the products are transferred and the services are provided. All goods and services are transferred at a point in time.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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 substantially met. Our federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to TSDRPF program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. TSDRPF records donated professional services at the respective fair values of the services received.

Advertising Costs

Advertising and marketing costs are expensed as incurred.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 2. Significant Accounting Policies (continued):

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

TSDRPF is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Section 509(a)(1). TSDRPF is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS and California Exempt Organization Annual Information Return (CA Forms 199 and RRF-1). In addition, TSDRPF is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. TSDRPF has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS or California Exempt Organization Business Income Tax Return (CA Form 109).

Management has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. TSDRPF's income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed; and the Franchise Tax Board, generally for four years after they are filed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires TSDRPF to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

TSDRPF manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, TSDRPF has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, and foundations supportive of the mission. Although the fair values of investments are subject to fluctuation on a year-to-year basis, TSDRPF believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 2. Significant Accounting Policies (continued):

Subsequent Events

TSDRPF has evaluated subsequent events through August 2, 2021, the date the financial statements were available to be issued.

Note 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 265,907
Receivables	196,212
Marketable Securities	<u>71,677</u>
	<u>\$ 533,796</u>

The 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. Donor-restricted endowment funds are not available for general expenditure and have been excluded from the amounts above.

As part of TSDRPF's liquidity management plan, TSDRPF invests some cash in excess of daily requirements in a brokerage account.

Note 4. Accounting For Acquisition of Lands with Conservation Value:

These are lands and land rights which have been determined to have conservation value consistent with the mission of TSDRPF. Such lands may be acquired by TSDRPF by purchase, gift, or a combination of both. TSDRPF undertakes such conservation acquisitions individually and, in certain instances, may in cooperation and partnership with governments and other non-profit organizations.

The lands acquired are to be maintained for its mission related purposes. These assets are included in property and equipment and are reported at cost, if purchased, or fair market value, at the date of donation.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 5. Fair Value Measurements and Disclosures

TSDRPF reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that TSDRPF can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, TSDRPF develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to TSDRPF's assessment of the quality, risk, or liquidity profile of the asset or liability.

Most of TSDRPF's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of TSDRPF's beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 5. Fair Value Measurements and Disclosures, (continued):

The following table presents assets measured at fair value on a recurring basis at December 31, 2020:

	Fair Value	Level 1	Level 2	Level 3
Money Market	\$ 8,603	\$ 8,603	\$	\$
Fixed Income	6,409	6,409		
Equities	56,665	56,665		
Endowment Fund-The SD Foundation	157,321	25,801		131,520
Total	<u>\$ 228,998</u>	<u>\$ 97,478</u>	<u>\$ -</u>	<u>\$ 131,520</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2020:

Balance, December 31, 2019	\$ 141,482
Contributions	
Investment return, net	16,598
Appropriation of endowment assets pursuant to spending-rate policy	<u>(759)</u>
Balance, December 31, 2020	<u>\$ 157,321</u>

The San Diego River Park Foundation transferred \$10,000 into an irrevocable endowment fund at The San Diego Foundation (SDF) during both 2007 and 2017. An additional gift of \$111,520 was received in 2019. Allocations of earnings are distributable semi-annually and are made from income and net appreciation if the fair value of the asset exceeds its historic value. The fund will continue so long as these assets are available in the fund and the purposes in the fund will be served by its continuance. As of December 31, 2020, the fair value of this agency endowment was \$157,321.

Note 6. Concentration of Credit Risk:

TSDRPF maintains its cash balances in financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, TSDRPF had uninsured cash balances with one financial institution.

TSDRPF had one funder that contributed 13% of total revenue for the year ended December 31, 2020.

Note 7. Investments:

Investments consist primarily of assets invested in marketable securities. Cash and short-term highly liquid money market deposits that are invested are included with investments on the statement of financial position.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 7. Investments, (continued):

TSDRPF accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in marketable securities with readily determinable fair values be measured at fair value in the statement of financial position. Fair value of marketable securities is based on quoted market prices. The realized and unrealized gains and losses on investments are reflected in the statement of activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. It is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments at fair value consist of the following at December 31, 2020:

Money market	\$	8,503
Fixed income		6,409
Equities		56,665
Endowment		157,321
Total	\$	<u>228,898</u>

Note 8. Notes Payable:

On January 19, 2016, TSDRPF entered into a note with The Conservation Fund totaling \$807,500. The note is secured by a deed of trust with property held by TSDRPF and was due in January of 2019. On February 8, 2019, the note was amended to change the due date to January 18, 2020 and change the interest to accrue on the unpaid balance at a rate of 4.66% per year beginning on January 19, 2019. Interest prior to January 19, 2019, accrues at the original interest rate of 3.22% per annum. This note was paid in full in January 2020.

In February 2019, TSDRPF entered into a note with Health Quest Foundation for \$300,000. The terms of the note state that interest is 4% per annum and that the entire balance including accrued interest are due and payable 36 months from inception of the loan. The loan balance was \$300,000 at December 31, 2020. Accrued interest was paid in full on December 31, 2020.

On December 2, 2020, TSDRPF entered into a note with a MDF Fund I, LP totaling \$150,000. The note terms also state that the maturity date is July 1, 2023 and is an interest free loan. Principal payments will be the following per year: 2021 - \$14,000, 2022 - \$70,000 and 2023 - \$66,000. The first payment occurs on July 1, 2021.

On May 4, 2020, TSDRPF received a Payroll Protection Program note totaling \$138,532. The terms of the note state that interest is 1% per annum and approximate monthly payments of \$7,757 are due every month beginning seven months after the loan origination date and are to be paid within 24 months. However, the loan can become full forgiven with qualifying expenditures. TSDRPF believes it has sufficient qualifying expenditures.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 9. Operating Leases:

TSDRPF leases facilities in San Diego, California. The operating lease was extended in July 2018 in San Diego. The new lease terms will require the following payments per year: 2021 - \$56,367, and 2022 - \$9,771. Rent expense for the year ended December 31, 2020 was \$60,700.

Note 10. Endowment

TSDRPF's endowment (the Endowment) consists of 3 individual funds established by donors to provide annual funding for specific activities and general operations. TSDRPF's Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020, there were no such donor stipulations. As a result of this interpretation, TSDRPF retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by TSDRPF in a manner consistent with the standard of prudence prescribed by UPMIFA. TSDRPF 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

As of December 31, 2020, TSDRPF had the following endowment net asset composition by type of fund:

	<u>With donor- restrictions</u>
Original donor-restricted gift amount	\$ 131,520
Accumulated earnings	25,801
Balance, December 31, 2020	<u>\$ 157,321</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). TSDRPF has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020, there were no underwater endowments.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2020

Note 10. Endowment, (continued):

Investment and Spending Policies

TSDRPF has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

TSDRPF uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments at December 31 of each year to determine the spending amount for the upcoming year. During 2019, the spending rate maximum was 4.5 percent. In establishing this policy, TSDRPF considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the years ended December 31, 2020 are as follows:

Balance, December 31, 2019	\$ 141,482
Contributions	
Investment return, net	16,598
Appropriation of endowment assets pursuant to spending-rate policy	<u>(759)</u>
Balance, December 31, 2020	<u>\$ 157,321</u>

THE SAN DIEGO RIVER PARK FOUNDATION
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Year Ended December 31, 2020

Note 11. Net Assets With Donor Restrictions:

Net assets with donor restrictions at December 31, 2020 consist of:

	<u>12/31/2019</u>		<u>2020</u>		<u>2020</u>		<u>12/31/2020</u>
	Balance		Additions		Releases		Balance
Program -							
Admin	\$ -	\$		\$		\$	-
Land Mgmt	14,925		17,637		(8,261)		24,301
Education	16,048		43,040		(59,088)		-
Trash	8,130		105,841		(113,971)		-
Other	9,962		-		(9,962)		-
Discovery Center - Grant Park	1,234,505		340,398		(855,623)		719,280
Total Program Restrictions	<u>\$ 1,283,570</u>	\$	<u>506,916</u>	\$	<u>(1,046,905)</u>	\$	<u>743,581</u>
Perpetual in nature	<u>131,520</u>				-		<u>131,520</u>
Total With Donor Restriction	<u>\$ 1,415,090</u>	\$	<u>506,916</u>	\$	<u>(1,046,905)</u>	\$	<u>875,101</u>

Note 12. Donated Services and Materials

TSDRPF received donated services of \$5,280 that were program related and materials of \$6,922 that were program related totaling \$4,022 and management and general related totaling \$2,900 during the year ended December 31, 2020.

Note 13. Conservation Easements:

Conservation easements are comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to TSDRPF, almost always in perpetuity, in order to protect the owned property as a significant natural area, as defined in federal tax regulations. They may be sold or transferred to others so long as the assignee agrees to carry out, in perpetuity, the conservation purposes intended by the original funder. Conservation easements, by their very nature, do not generate material amounts of cash inflow annually.

Note 14. Functionalized Expenses

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 occupancy, salaries, benefits, payroll taxes, accounting, office, information technology, and insurance which are allocated on the basis of estimates of time and effort.