

MUNGER & COMPANY, CPAs

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THE SAN DIEGO RIVER PARK FOUNDATION
Audited Financial Statements
Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of The San Diego River Park Foundation

Opinion

We have audited the accompanying financial statements of The San Diego River Park Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 The San Diego River Park Foundation as of December 31, 2021, and the changes in net assets and its cash flows for the year 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 The San Diego River Park Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The San Diego River Park Foundation'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 The San Diego River Park Foundation'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 San Diego River Park Foundation'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.

April 4, 2022



Munger & Company, CPAs

THE SAN DIEGO RIVER PARK FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

OPERATING ASSETS:

Cash	\$ 613,040
Restricted cash	1,886,358
Grants receivable	96,345
Promises to give, net of discount	121,309
Deposits and prepaid expenses	12,775
Inventory	9,472
Total Operating Assets	<u>2,739,299</u>

INVESTMENT ASSETS:

Marketable securities	46,610
Endowment funds	197,671
Total Investment Assets	<u>244,281</u>

FIXED ASSETS:

Property	18,675,839
Construction in Progress	1,915,496
Furniture and equipment	99,925
Less: accumulated depreciation	(86,466)
Total Fixed Assets	<u>20,604,794</u>

TOTAL ASSETS \$ 23,588,374

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued liabilities	\$ 174,789
Notes payable	436,000
Total Liabilities	<u>610,789</u>

NET ASSETS:

Without donor restrictions	
Undesignated	603,453
Invested in fixed assets, net of related debt	20,168,794
	<u>20,772,247</u>

With donor restrictions

Perpetual in nature	146,520
Purpose restrictions	2,058,818
	<u>2,205,338</u>
Total Net Assets	<u>22,977,585</u>

TOTAL LIABILITIES AND NET ASSETS \$ 23,588,374

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, 2021

	<u>Restated Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Grants and Contributions	\$ 879,180	\$ 1,921,419	\$ 2,800,599
In-kind contributions	7,078		7,078
Contracts and service fees	16,734		16,734
Interest income	1,101		1,101
Gain on investments	30,712		30,712
Net assets released from restrictions -			
Program restrictions	591,182	(591,182)	-
Total Revenues and Support	<u>1,525,987</u>	<u>1,330,237</u>	<u>2,856,224</u>
EXPENSES:			
Program Services:			
Healthy River Healthy Community	175,644		175,644
Watershed Stewardship	83,582		83,582
Youth Nature Education	43,666		43,666
San Diego River Park and Trail System	72,208		72,208
River Center	100,421		100,421
Community Engagement	76,150		76,150
Total Program Services	<u>551,671</u>	<u>-</u>	<u>551,671</u>
Supporting Services:			
Management and General	130,325		130,325
Fundraising	208,999		208,999
Total Supporting Services	<u>339,324</u>	<u>-</u>	<u>339,324</u>
Total Expenses	<u>890,995</u>	<u>-</u>	<u>890,995</u>
Change in Net Assets	<u>634,992</u>	<u>1,330,237</u>	<u>1,965,229</u>
Net Assets - Beginning of Year, as originally stated	19,170,869	875,101	20,045,970
Prior Period Adjustment (Note 17)	966,386	-	966,386
Net Assets - Beginning of Year, as restated	<u>20,137,255</u>	<u>875,101</u>	<u>21,012,356</u>
Net Assets - End of Year	<u>\$ 20,772,247</u>	<u>\$ 2,205,338</u>	<u>\$ 22,977,585</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, 2021

	Program Services						Supporting Services		Total
	Healthy River Community	Watershed Stewardship	Youth Nature Education	SD River Park and Trail System	River Center	Community Engagement	Management and General	Fund Raising	
EXPENSES:									
Personnel Costs:									
Salaries	\$ 97,587	\$ 55,785	\$ 30,145	\$ 35,108	\$ 19,116	\$ 55,658	\$ 94,240	\$ 148,256	\$ 535,895
Payroll Taxes	8,110	4,612	2,484	2,890	1,552	4,615	7,662	12,069	43,994
Benefits	11,460	5,617	2,044	3,713	2,210	4,015	7,358	6,870	43,287
Accounting	2,767	1,431	486	857	512	1,802	2,533	4,196	14,584
Advertising	4	28	3	2	2	1,782	4	258	2,083
Bank fees	40	16	7	53	160	45	24	3,401	3,746
Subcontract and consulting		4,000		5,591	47,911	600		150	58,252
Conferences and meetings				97				50	147
Depreciation	5,064								5,064
Dues and subscriptions	637	182	242	539	62	491	278	709	3,140
Information Technology	2,001	661	456	610	241	1,293	1,085	2,049	8,396
Insurance	3,392	1,848	905	1,135	3,631	1,856	3,117	4,441	20,325
Office	2,113	1,235	722	769	410	6,416	1,993	4,272	17,930
Occupancy	11,734	6,597	3,483	4,113	2,151	6,562	10,940	16,745	62,325
Program	15,208	3,774	2,462	10,607	3,936	6,297	629	1,902	44,815
Taxes, licenses and fees	55	26	14	497	16,897	30	43	86	17,648
Other	14,457	(2,929)	51	4,410	1,365	(15,401)	144	2,489	4,586
Travel	1,015	699	162	1,217	265	89	275	1,056	4,778
TOTAL EXPENSES	\$ 175,644	\$ 83,582	\$ 43,666	\$ 72,208	\$ 100,421	\$ 76,150	\$ 130,325	\$ 208,999	\$ 890,995

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 1,965,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,064
Forgiveness of SBA Grant	(268,891)
Realized and unrealized (gains)/losses on investments	(59,809)
Realized and unrealized (gains)/losses on endowment fund	29,097
(Increase) decrease in:	
Grants receivable	15,364
Promises to give	47,840
Deposits and prepaid expenses	(5,302)
Increase (decrease) in:	
Accounts payable and accrued liabilities	145,147
Net cash provided by operating activities	1,873,739

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property	(9,334)
Purchases of construction in progress	(311,333)
Contribution to San Diego Foundation Investment	(15,000)
Sales of investments	30,429
Net cash (used in) investing activities	(305,238)

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowings on note payable	130,359
Principle payments on loan payable	(14,000)
Net cash provided by financing activities	116,359

Net Change in Cash 1,684,860

Cash at Beginning of Year 814,538

Cash at End of Year \$ 2,499,398

Supplemental Disclosure:

Cash	\$ 613,040
Restricted Cash	1,886,358
Total Cash	2,499,398

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, 2021

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 our 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. This program also works to heal and restore other critical pieces of the watershed while providing for outdoor recreation, public enjoyment, and scenic preservation.

Youth Nature Education: The key to the future of the San Diego River and associated ecosystems are fostering nature connections through education. A variety of approaches are used with a focus on overcoming barriers for kids to the lifelong benefits of a strong nature connection. Utilizing STEM-based and hands-on activities, this program bridges this nature divide for thousands of youth.

San Diego River Park and Trail System: This program works to advance the establishment of a 52-mile long park and trail system along the River. The organization works with public agencies, landowners, and project developers as an advocate for this vision. Projects to acquire key open spaces and advance policy initiatives are included as well.

Community Engagement: A signature program of the organization 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 river awareness and community volunteer events throughout the year including the annual San Diego River Days. In addition, the program helps manage four public park areas and coordinates volunteers for other programs.

River Center: The River 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 costs incurred for the project are or will have been capitalized once the conceptual in nature is completed.

Note 2. Significant Accounting Policies:

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, 2021

Note 2. Significant Accounting Policies (continued):

Cash and Cash Equivalents

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, 2021.

Receivables and Credit Policies

Receivables consist primarily of grants and promises to give. Management 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. As of December 31, 2021, 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. Management determines 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.

Inventory

Inventory comprises primarily of books for resale and 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. Management determined that a reserve for slow-moving inventory for the year ended December 31, 2021 is not necessary.

Property and Equipment

Property and equipment additions over \$5,000 are capitalized 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.

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2021

Note 2. Significant Accounting Policies (continued):

Management 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. Management determined that there were no indicators of asset impairment during the year ended December 31, 2021.

Beneficial Interest in Assets Held by Community Foundation

TSDRPF established and is beneficiary in an endowment fund that is perpetual in nature (the fund) under the San Diego Foundation's program. 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

Investment purchases are recorded 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. Employees are not entitled to any unused accumulated sick leave benefits. Accordingly, a liability is not recorded for those unpaid benefits. The accumulated unpaid employee vacation accrual was \$17,574 as of December 31, 2021.

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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

THE SAN DIEGO RIVER PARK FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2021

Note 2. Significant Accounting Policies (continued):

Revenue and Revenue Recognition

Revenue is recognized from services when 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. 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.

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).

Management has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. TSDRP'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.

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2021

Note 2. Significant Accounting Policies (continued):

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates, under different assumptions or conditions.

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, management believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

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	\$ 613,040
Grant Receivables	96,345
Marketable Securities	<u>46,610</u>
	<u>\$ 755,995</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.

Promises to Give are donor restricted and are not available for general use within the next fiscal year.

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

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2021

Note 4. Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31:

2022	\$ 107,000
2023	7,000
2024	7,000
2025	<u>1,000</u>
	122,000
Less discount to net present value at 3%	<u>(691)</u>
Promises to Give at December 31, 2021	<u>\$ 121,309</u>

Note 5. Accounting For Acquisition of Lands with Conservation Value:

Land and land rights which have been determined to have conservation value consistent with the mission of TSDRPF may be acquired 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.

Note 6. 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.

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2021

Note 6. Fair Value Measurements and Disclosures, (continued):

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 the 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 following table presents assets measured at fair value on a recurring basis at December 31, 2021:

	Fair Value	Level 1	Level 2	Level 3
Fixed Income	6,523	6,523		
Equities	40,087	40,087		
Endowment Fund-The SD Foundation	197,671			197,671
Total	\$ 244,281	\$ 46,610	\$ -	\$ 197,671

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, 2021:

Balance, December 31, 2020	\$	157,321
Contributions		15,000
Investment return, net		26,451
Appropriation of endowment assets pursuant to spending-rate policy		(1,101)
Balance, December 31, 2021	\$	197,671

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. In 2019, a gift of \$111,520 was received and in 2021 another \$15,000 was received. 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, 2021, the fair value of this agency endowment was \$197,671.

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2021

Note 7. Concentration of Credit Risk:

TSDRPF maintains its cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021, TSDRPF had uninsured cash balances with one financial institution.

TSDRPF had one funder that contributed 18% of total revenue for the year ended December 31, 2021.

Note 8. Investments:

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

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, 2021:

Fixed income	\$ 6,523
Equities	40,087
Endowment	197,671
Total	<u>\$ 244,281</u>

Note 9. Notes Payable:

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, 2021. Accrued interest was paid in full through December 31, 2021. See Note 16 for subsequent event.

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: 2022 - \$70,000 and 2023 - \$66,000. The balance at December 31, 2021 was \$136,000.

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2021

Note 9. Notes Payable, (continued):

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. This loan was fully forgiven by the Small Business Administration during the year and is included with grants and contributions on the Statement of Activities.

On March 8, 2021, TSDRP received another Payroll Protection Program note totaling \$130,359. This note had similar terms to the note above and was also fully forgiven during the year.

Note 10. Operating Leases:

TSDRPF leases facilities in San Diego, California. The operating lease was extended in July 2018 in San Diego through October 31, 2022. The lease terms will require the following payments due in 2022 totaling \$48,886. Rent expense for the year ended December 31, 2021 was \$62,325.

Note 11. 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, 2021, 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

THE SAN DIEGO RIVER PARK FOUNDATION

Notes to Financial Statements
Year Ended December 31, 2021

Note 11. Endowment, (continued):

As of December 31, 2021, TSDRPF had the following endowment net asset composition by type of fund:

Original donor-restricted gift amount - with donor restrictions	\$	146,520
Accumulated earnings - without donor restrictions		51,151
Balance, December 31, 2021	\$	<u>197,671</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, 2021, there were no underwater endowments.

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 2021, 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, 2021 are as follows:

Balance, December 31, 2020	\$	157,321
Contributions		15,000
Investment return, net		26,451
Appropriation of endowment assets pursuant to spending-rate policy		<u>(1,101)</u>
Balance, December 31, 2021	\$	<u>197,671</u>

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Note 12. Net Assets With Donor Restrictions:

Net assets with donor restrictions at December 31, 2021 consist of:

	12/31/2020 Balance	2021 Additions	2021 Releases	12/31/2021 Balance
Program -				
Land Mgmt	\$ 24,301	\$ 14,085	\$ (38,386)	\$ -
Planning	-	312,977	(52,779)	260,198
River Center - Grant Park	719,280	1,579,357	(500,017)	1,798,620
Total Program Restrictions	<u>\$ 743,581</u>	<u>\$ 1,906,419</u>	<u>\$ (591,182)</u>	<u>\$ 2,058,818</u>
Perpetual in nature	<u>131,520</u>	<u>15,000</u>	<u>-</u>	<u>146,520</u>
Total With Donor Restriction	<u>\$ 875,101</u>	<u>\$ 1,921,419</u>	<u>\$ (591,182)</u>	<u>\$ 2,205,338</u>

Note 13. Donated Services and Materials

TSDRPF received donated materials of \$7,078 that were program related totaling \$3,746, management and general related totaling \$3,050 and fundraising totaling \$282 during the year ended December 31, 2021.

Note 14. 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 15. 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, advertising, bank fees, office, information technology, and insurance which are allocated on the basis of estimates of time and effort.

Note 16. Subsequent Event

Subsequent events have been evaluated through April 4, 2022, the date the financial statements were available to be issued. Management is aware of the following subsequent event:

On February 20, 2022, the promissory note from Healthquest Foundation dated February 19, 2019 was replaced by this new note. The note terms state the loan is for \$300,000, interest is 4% per annum and that the entire balance including accrued interest are due and payable 24 months from inception of the loan.

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Note 17. Prior Period Adjustment

During the year, we determined that our initial costs incurred for the construction project are eligible to be recorded as construction in progress costs. Those initial costs, which were expensed a few years ago now have been reflected into the financial statements. The impact of that adjustment was to restate the opening beginning balance of net assets without donor restrictions for \$966,386. The opening balance date is December 31, 2020, which is included on the Statement of Activities. That increases both net assets without donor restrictions for \$966,386 and construction in process on the statement of financial position.