



Desert Recreation Foundation

Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Desert Recreation Foundation
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Desert Recreation Foundation (Foundation), which comprise the statements of financial position for the years ended June 30, 2020 and 2019, and the related statements of activities and cash flows for the years 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 controls 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Desert Recreation Foundation as of June 30, 2020 and 2019, and the respective change in net assets and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of functional expenses on page 12 included in the accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

Fedak & Brown LLP

Cypress, California

November 17, 2020

Financial Section

Desert Recreation Foundation
Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 86,436	155,360
Restricted cash	619,323	395,761
Event and other receivables	854	-
Total current assets	706,613	551,121
Non-current assets:		
Property and equipment, net (note 2)	-	420
Total non-current assets	-	420
Total assets	\$ 706,613	551,541
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 73,530	116,669
Deferred revenue	-	30,000
Total liabilities	73,530	146,669
Net assets:		
Without donor restrictions	13,760	9,111
With donor restrictions (note 4)	619,323	395,761
Total net assets	633,083	404,872
Total liabilities and net assets	\$ 706,613	551,541

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains, and other support:			
Contributions and grants	\$ 15,895	249,048	264,943
Sponsorships	-	81,350	81,350
Sales of donated items	-	35,548	35,548
Special event and registration fees	777	23,612	24,389
Other	22	-	22
Net assets released from restriction (note 3)	165,996	(165,996)	-
Total revenues, gains, and other support	182,690	223,562	406,252
Expenses:			
The First Tee of Coachella Valley	157,616	-	157,616
Adaptive Sports	2,480	-	2,480
Youth Program	300	-	300
Chase the Ace	6,876	-	6,876
General and administrative expenses	10,769	-	10,769
Total expenses	178,041	-	178,041
Change in net assets	4,649	223,562	228,211
Net assets at beginning of year	9,111	395,761	404,872
Net assets at end of year	\$ 13,760	619,323	633,083

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions and grants	\$ 8,444	197,075	205,519
Sponsorships	-	31,400	31,400
Sales of donated items	-	26,893	26,893
Special event and registration fees	1,946	104,799	106,745
Other	-	1,046	1,046
Net assets released from restriction (note 3)	<u>270,829</u>	<u>(270,829)</u>	<u>-</u>
Total revenues, gains, and other support	<u>281,219</u>	<u>90,384</u>	<u>371,603</u>
Expenses:			
The First Tee of Coachella Valley	270,829	-	270,829
General and administrative expenses	<u>7,913</u>	<u>-</u>	<u>7,913</u>
Total expenses	<u>278,742</u>	<u>-</u>	<u>278,742</u>
Change in net assets	2,477	90,384	92,861
Net assets at beginning of year	<u>6,634</u>	<u>305,377</u>	<u>312,011</u>
Net assets at end of year	<u><u>\$ 9,111</u></u>	<u><u>395,761</u></u>	<u><u>404,872</u></u>

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>228,211</u>	<u>92,861</u>
Adjustments to reconcile change in net assets to cash flows provided by operating activities:		
Depreciation expense	420	2,523
Change in assets and liabilities:		
Event and other receivables	(854)	10,388
Accounts payable and accrued expenses	(43,139)	(28,856)
Deferred revenue	<u>(30,000)</u>	<u>30,000</u>
Total adjustments	<u>(73,573)</u>	<u>14,055</u>
Net cash provided by operating activities	<u>154,638</u>	<u>106,916</u>
Net increase in cash and cash equivalents	154,638	106,916
Cash and cash equivalent, beginning of year	<u>551,121</u>	<u>444,205</u>
Cash and cash equivalent, end of year	\$ <u><u>705,759</u></u>	<u><u>551,121</u></u>

For the years ended June 30, 2020 and 2019, the Foundation paid no interest or taxes.

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Notes to the Financial Statements, continued
For the Years Ended June 30, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Foundation and Operations of the Reporting Entity

On April 23, 2001, the Coachella Valley Recreation and Park Foundation was incorporated as a California nonprofit public benefit corporation. On November 9, 2011, the Board of Directors changed the name of the Foundation to the Desert Recreation Foundation (Foundation) following the name change of the Coachella Valley Recreation and Park District to the Desert Recreation District (District) in 2011.

The specific and primary purpose of the Foundation is to initiate, sponsor, promote, and carry-out plans, programs, policies, and activities that tend to further park and recreational projects within the jurisdictional limits of the District.

B. Jointly Governed Foundation

The Foundation is governed by an eight-member board of directors. One of the eight board members is also an elected official on the District's Board of Directors. Management and operations of the Foundation is carried out by management and staff of the District.

C. Basis of Accounting, Financial Reporting, and Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles general accepted in the United States of America. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recorded as the liability is incurred.

The Foundation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification. This standard requires the Foundation to report information regarding its financial position and change in net assets into the following two classes of net assets:

- Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions.
- Net assets with donor restrictions – net assets that are subject to donor-imposed restrictions.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and administration have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the benefited programs and supporting services.

Contributions from Donors with Restriction

The Foundation records all revenues earned from donor-restricted contributions as with donor restrictions.

D. Assets, Liabilities, and Net Assets

1. Use of 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 of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported change in the Foundation's net assets during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be estimated at this time.

Desert Recreation Foundation
Notes to the Financial Statements, continued
For the Years Ended June 30, 2020 and 2019

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Assets, continued

3. Cash and Cash Equivalents

For the purpose of reporting cash flows, the Foundation considers all highly liquid debt instruments, including money market funds, purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

4. Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value at the date of donation. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from three to ten years. Property and equipment is capitalized if the cost or donated fair market value of an asset is greater than or equal to \$500.

5. Revenue Recognition

Revenues from grants and fees for services are recognized in the period in which the related service occurs.

6. Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

7. Income Taxes

As a publicly supported not-for-profit Foundation, the Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and the corresponding provisions of Section 23701d of the California Revenue and Taxation Code. The Foundation is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Foundation's tax-exempt purpose. The Foundation is not a private-foundation and qualifies for the charitable deduction under 170(b)(1)(A)(vi) of the Internal Revenue Code.

The Foundation has applied the provisions of ASC Subtopic 740-10, *Income Taxes—Overall*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest, penalties, disclosure, and transition. The Foundation's management believes that no such uncertain tax positions exist as of June 30, 2020. The Foundation is subject to routine audits by the taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for the fiscal years prior to 2017.

Desert Recreation Foundation
Notes to the Financial Statements, continued
For the Years Ended June 30, 2020 and 2019

(2) Property and Equipment

The summary of property and equipment at year end are as follows:

	2020	2019
Depreciable assets:		
Equipment	\$ 12,613	12,613
Vehicles	25,935	25,935
Total depreciable assets	38,548	38,548
Accumulated depreciation	(38,548)	(38,128)
Total property and equipment, net	\$ -	420

Depreciation expense for the years ended June 30, 2020 and 2019, totaled \$420, \$2,523, respectively.

(3) Liquidity and Availability

The Foundation's assets available within one year of the balance sheet date for general expenditure include cash and cash equivalent totaling \$705,759 and \$551,121 as of June 30, 2020 and 2019, respectively.

(4) Net Assets – With Donor Restrictions

As of June 30, 2020, net assets with donor restrictions are available for the following purposes:

	Balance 2019	Additions	Deletions	Balance 2020
Net assets – with donor restrictions				
Adaptive Sports	\$ 1,000	204	(1,204)	-
Financial assistance	664	-	-	664
The First Tee of Coachella Valley	390,697	348,973	(157,616)	582,054
Trips for Kids	3,400	-	-	3,400
Chase the Ace	-	13,767	(6,876)	6,891
Youth program	-	26,114	(300)	25,814
Bowling fundraiser	-	500	-	500
Total net assets – with donor restrictions	\$ 395,761	389,558	(165,996)	619,323

Desert Recreation Foundation
Notes to the Financial Statements, continued
For the Years Ended June 30, 2020 and 2019

(4) Net Assets – With Donor Restrictions, continued

As of June 30, 2019, net assets with donor restrictions are available for the following purposes:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2019</u>
Net assets – with donor restrictions				
Adaptive sports	\$ 1,000	-	-	1,000
Financial assistance	664	-	-	664
The First Tee of Coachella Valley	300,313	361,213	(270,829)	390,697
Trips for Kids	3,400	-	-	3,400
Total net assets – with donor restrictions	<u>\$ 305,377</u>	<u>361,213</u>	<u>(270,829)</u>	<u>395,761</u>

Adaptive sports – funds held for adaptive sports programs.

Financial assistance – funds held for Desert Recreation District programs.

The First Tee of Coachella Valley – a year-round child development program dedicated to the mission of impacting the lives of young people by providing learning facilities and educational programs that promote character development and life-enhancing values through the game of golf.

Trips for Kids – a program that supports at-risk youth who gets the opportunity to experience healthy activity, while broadening their perspectives and exploring new areas on their bicycles.

Chase the Ace – funds held for motorcycle run fundraiser held by the Foundation in Coachella Valley.

Youth program – funds held for Desert Recreation District programs.

Bowling fundraiser – funds held for bowling fundraiser to be held by the Foundation.

Net assets were released from donor restrictions by satisfying the purpose and/or time specifications of the donor’s or grantor’s requests.

(5) Related Party Transactions

The Foundation provided grants and other assistance to the District in the amounts of \$135,362 and \$235,242 for the fiscal years ended June 30, 2020 and 2019, respectively. Also, the Foundation reimburses the District for certain expenses incurred on behalf of the Foundation.

The Foundation receives contributed management, administrative, and operational support from the District to administer its programs. No amounts have been reflected in the financial statements for the contributed services since no objective basis is available to measure the value of such services.

(6) Public Support

Volunteers from the community have donated significant amounts of their time in support of the Foundation’s programs. No amounts have been reflected in the financial statements for the contributed services since no objective basis is available to measure the value of such services.

Desert Recreation Foundation
Notes to the Financial Statements, continued
For the Years Ended June 30, 2020 and 2019

(7) Contingencies

Litigation

In the ordinary course of operations, the Foundation is subject to claims and litigation from outside parties. After consultation with legal counsel, the Foundation believes the ultimate outcome of such matter, if any, will not materially affect its financial condition.

(8) Subsequent Events

The Coachella Valley Youth Golf Foundation (as known as The First Tee Coachella Valley) (Corporation) was created to initiate, sponsor, promote, and carry out plans, programs, policies, and activities for young persons that build character, instill values, and promote a healthy lifestyle primarily through the game of golf. Effective July 1, 2020, financial activities related to The First Tee of Coachella Valley was transferred to the Corporation. In addition, the Corporation received cash totaling \$560,974 from the Foundation subsequent to year end.

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statement or disclosure as of November 17, 2020, which is the date the financial statements were available to be issued.

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Supplementary Information Section

Desert Recreation Foundation
Schedule of Functional Expenses
For the Fiscal Years Ended June 30, 2020 and 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2020</u>
Expenses:				
Information technology	\$ 1,048	2,832	-	3,880
License and permits	25	300	-	325
Office expense	1,016	673	-	1,689
Professional fees	-	4,836	-	4,836
Program expense	144,270	-	19,152	163,422
Scholarship	3,000	-	-	3,000
Depreciation	420	-	-	420
Other expenses	-	469	-	469
Total expenses	\$ 149,779	9,110	19,152	178,041

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2019</u>
Expenses:				
Information technology	\$ 460	1,680	-	2,140
License and permits	-	271	-	271
Office expense	1,371	49	-	1,420
Professional fees	-	4,260	-	4,260
Program expense	239,779	-	26,442	266,221
Depreciation	2,523	-	-	2,523
Other expenses	-	1,907	-	1,907
Total expenses	\$ 244,133	8,167	26,442	278,742