

Desert Recreation Foundation

Indio, California

Annual Financial Report

For the Years Ended June 30, 2017 and 2016



Desert Recreation Foundation
For the Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Desert Recreation Foundation
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Desert Recreation Foundation (Foundation), which comprises the statements of financial position as of June 30, 2017 and 2016, 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 audits 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 financial position of the Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Desert Recreation Foundation
Indio, California

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of functional expenses on page 15 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 audit 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.

The PwC Group, LLP

Santa Ana, California
January 24, 2018

FINANCIAL STATEMENTS

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Desert Recreation Foundation
Statements of Financial Position
June 30, 2017 and 2016

	ASSETS	2017	2016
Current assets:			
Cash and cash equivalents		\$ 384,907	\$ 301,984
Event and other receivables		21,827	-
Total current assets		406,734	301,984
Non-current assets:			
Property and equipment, net (Note 2)		5,466	7,988
Total non-current assets		5,466	7,988
Total assets		\$ 412,200	\$ 309,972
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses		\$ 103,753	\$ -
Total liabilities		103,753	-
Net assets:			
Unrestricted		11,573	28,150
Temporarily restricted (Note 3)		296,874	281,822
Total net assets		308,447	309,972
Total liabilities and net assets		\$ 412,200	\$ 309,972

Desert Recreation Foundation
Statement of Activities
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Support and other revenue:			
Contributions and grants	\$ 2,050	\$ 113,906	\$ 115,956
Sponsorships	-	8,615	8,615
Sales of donated items	-	40,160	40,160
Total support and other revenue	<u>2,050</u>	<u>162,681</u>	<u>164,731</u>
Fundraising events:			
Registration fees	-	59,279	59,279
Special event revenue	-	73,241	73,241
Special event fees	-	(14,575)	(14,575)
Event materials and supplies	-	(596)	(596)
Total fundraising events, net	<u>-</u>	<u>117,349</u>	<u>117,349</u>
Net assets released from restrictions	<u>264,978</u>	<u>(264,978)</u>	<u>-</u>
Total revenue	<u>267,028</u>	<u>15,052</u>	<u>282,080</u>
Expenses:			
Program services:			
The First Tee of Coachella Valley	227,648	-	227,648
Desert Recreation District	28,330	-	28,330
Adaptive sports	9,000	-	9,000
Total program services	<u>264,978</u>	<u>-</u>	<u>264,978</u>
Supporting services:			
General and administrative	18,627	-	18,627
Total expenses	<u>283,605</u>	<u>-</u>	<u>283,605</u>
Changes in net assets	<u>(16,577)</u>	<u>15,052</u>	<u>(1,525)</u>
Net assets:			
Beginning of year	28,150	281,822	309,972
End of year	<u>\$ 11,573</u>	<u>\$ 296,874</u>	<u>\$ 308,447</u>

Desert Recreation Foundation
Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Support and other revenue:			
Contributions and grants	\$ 27,210	\$ 106,281	\$ 133,491
Sponsorships	-	21,028	21,028
Sales of donated items	-	9,250	9,250
Total support and other revenue	<u>27,210</u>	<u>136,559</u>	<u>163,769</u>
Fundraising events:			
Registration fees	-	40,300	40,300
Special event revenue	-	13,061	13,061
Special event fees	-	(10,738)	(10,738)
Event materials and supplies	-	(1,868)	(1,868)
Total fundraising events, net	<u>-</u>	<u>40,755</u>	<u>40,755</u>
Net assets released from restrictions	<u>194,169</u>	<u>(194,169)</u>	<u>-</u>
Total revenue	<u>221,379</u>	<u>(16,855)</u>	<u>204,524</u>
Expenses:			
Program services:			
The First Tee of Coachella Valley	190,647	-	190,647
Desert Recreation District	3,522	-	3,522
Total program services	<u>194,169</u>	<u>-</u>	<u>194,169</u>
Supporting services:			
General and administrative	9,571	-	9,571
Total expenses	<u>203,740</u>	<u>-</u>	<u>203,740</u>
Changes in net assets	17,639	(16,855)	784
Net assets:			
Beginning of year	10,511	298,677	309,188
End of year	<u>\$ 28,150</u>	<u>\$ 281,822</u>	<u>\$ 309,972</u>

Desert Recreation Foundation
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (1,525)	\$ 784
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deprecation expense	2,522	2,523
Changes in assets and liabilities:		
Event and other receivables	(21,827)	-
Accounts payable and accrued expenses	103,753	-
Deferred revenue	-	(500)
Total adjustments	84,448	2,023
Net cash provided by operating activities	82,923	2,807
Net increase in cash and cash equivalents	82,923	2,807
Cash and cash equivalents:		
Beginning of year	301,984	299,177
End of year	\$ 384,907	\$ 301,984

Desert Recreation Foundation
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization 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 purposes of the Foundation are 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.

Jointly Governed Organization

The Foundation is governed by a six-member board of directors. One of the six 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.

Basis of Accounting, Financial Reporting and Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally 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 three classes of net assets:

- ***Unrestricted net assets*** are not restricted by donors or the donor-imposed restrictions have expired.
- ***Temporarily restricted net assets*** contain donor-imposed restrictions that permit the Foundation to use or expend the assets only as specified. These restrictions are satisfied either by the passage of time or by the Foundation's expenditure for the specified purpose.
- ***Permanently restricted net assets*** contain donor-imposed restrictions and stipulate that the resources be maintained permanently but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. There were no permanently restricted net assets at June 30, 2017 and 2016.

Functional 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 programs and supporting services benefited.

Temporarily Restricted Contributions

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

Desert Recreation Foundation
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

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 changes in the Foundation's net assets during the reporting period. Actual results could differ from those estimates.

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.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value at 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.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Foundation assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. Should impairment exist, the impairment loss would be measured based on the excess of the carrying amount of the asset over the asset's fair value. No impairment charges were recognized on long-lived assets during 2017 and 2016.

Advertising Costs

Advertising costs are expensed as incurred and totaled approximately \$3,185 and \$2,700 for the years ended June 30, 2017 and 2016, respectively.

Income Taxes

The Foundation is a nonprofit public benefit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code and Section 23701d of the California Revenue and Taxation Code. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business activity regularly carried on, and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business activity, in the opinion of management, is not material to the financial statements taken as a whole.

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, and penalties, disclosure, and transition. The management of the Foundation believes that no such uncertain tax positions exist as of June 30, 2017 and 2016, respectively.

Desert Recreation Foundation
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 2 – Property and Equipment

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

	June 30, 2017	June 30, 2016
Depreciable assets:		
Equipment	\$ 12,613	\$ 14,713
Vehicles	25,935	25,935
Total depreciable assets	38,548	40,648
Accumulated depreciation	(33,082)	(32,660)
Total property and equipment, net	\$ 5,466	\$ 7,988

Note 3 – Net Assets – Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Temporarily restricted:				
Adaptive sports	\$ 10,000	\$ -	\$ (9,000)	\$ 1,000
Desert Recreation District	10,331	28,183	(28,330)	10,184
The First Tee of Coachella Valley	258,091	251,847	(227,648)	282,290
Trips for Kids	3,400	-	-	3,400
Total temporarily restricted	\$ 281,822	\$ 280,030	\$ (264,978)	\$ 296,874

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Temporarily restricted:				
Adaptive sports	\$ -	\$ 10,000	\$ -	\$ 10,000
Desert Recreation District	6,853	7,000	(3,522)	10,331
The First Tee of Coachella Valley	291,424	157,314	(190,647)	258,091
Trips for Kids	400	3,000	-	3,400
Total temporarily restricted	\$ 298,677	\$ 177,314	\$ (194,169)	\$ 281,822

Adaptive Sports – funds held for adaptive sports programs.

Desert Recreation District – funds held for Desert Recreation District programs.

The First Tee of Coachella Valley – is 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 – is a program that supports at-risk youth who get the opportunity to experience healthy activity, while broadening their perspectives and exploring new areas on their bicycles.

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

Desert Recreation Foundation
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2017 and 2016

Note 4 – Related Party Transactions

The Foundation provided grants and other assistance to the District in the amounts of \$197,166 and \$177,013 for the fiscal years ended June 30, 2017 and 2016, respectively.

Also, the Foundation reimburses the District for certain expenses incurred on behalf of the Foundation.

Note 5 – Support from Related-Party

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.

Note 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.

Note 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 matters, if any, will not materially affect its financial condition.

Note 8 – Subsequent Events

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of August 31, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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Desert Recreation Foundation
Statements of Functional Expenses
For the Years Ended June 30, 2017 and 2016

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2017 Total</u>
Expenses:			
Advertising and promotion	\$ 685	\$ 2,500	\$ 3,185
Bank charges	1,847	360	2,207
Information technology	450	1,439	1,889
License and permits	115	768	883
Materials and supplies	72	483	555
Printing and reproduction	845	2,847	3,692
Professional fees	-	9,970	9,970
Program expense	258,442	-	258,442
Repairs and maintenance	-	260	260
Depreciation	2,522	-	2,522
Total expenses	<u>\$ 264,978</u>	<u>\$ 18,627</u>	<u>\$ 283,605</u>
	<u>Program Services</u>	<u>Supporting Services</u>	<u>2016 Total</u>
Expenses:			
Advertising and promotion	\$ 1,600	\$ 1,100	\$ 2,700
Bank charges	1,653	360	2,013
Grants and other assistance	8,522	-	8,522
Information technology	-	1,327	1,327
License and permits	-	221	221
Materials and supplies	595	477	1,072
Printing and reproduction	-	500	500
Professional fees	861	5,586	6,447
Program expense	177,657	-	177,657
Repairs and maintenance	758	-	758
Depreciation	2,523	-	2,523
Total expenses	<u>\$ 194,169</u>	<u>\$ 9,571</u>	<u>\$ 203,740</u>

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