



Desert Recreation Foundation

Annual Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021

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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 fiscal years ended June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Desert Recreation Foundation as of June 30, 2022 and 2021, and the respective changes in net assets and its cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report, continued

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 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 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 audits.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
November 29, 2022

Financial Section

Desert Recreation Foundation
Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents (note 2)	\$ 88,741	59,261
Cash and cash equivalents - restricted	144,520	56,471
Event and other receivables	46,965	14,633
Total current assets	280,226	130,365
Non-current assets:		
Property and equipment, net (note 3)	-	-
Total non-current assets	-	-
Total assets	\$ 280,226	130,365
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,091	8,654
Total liabilities	7,091	8,654
Net assets:		
Without donor restrictions	128,615	65,240
With donor restrictions (note 5)	144,520	56,471
Total net assets	273,135	121,711
Total liabilities and net assets	\$ 280,226	130,365

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 16,696	138,668	155,364
Sponsorships	-	21,050	21,050
Sales of donated items	52,103	-	52,103
Special event and registration fees	7,336	1,125	8,461
Net assets released from restriction (note 5)	72,794	(72,794)	-
Total support and revenue	<u>148,929</u>	<u>88,049</u>	<u>236,978</u>
Expenses:			
Program services	74,889	-	74,889
General and administrative expenses	8,246	-	8,246
Fundraising	2,419	-	2,419
Total expenses	<u>85,554</u>	<u>-</u>	<u>85,554</u>
Change in net assets	63,375	88,049	151,424
Net assets at beginning of year	<u>65,240</u>	<u>56,471</u>	<u>121,711</u>
Net assets at end of year	<u>\$ 128,615</u>	<u>144,520</u>	<u>273,135</u>

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2022</u>
Expenses:				
Information technology	\$ -	4,263	-	4,263
Office expense	-	94	-	94
Professional fees	-	3,059	-	3,059
Program expense	74,889	-	-	74,889
Travel	-	830	-	830
Fundraising	-	-	2,419	2,419
Total expenses	\$ 74,889	8,246	2,419	85,554

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains, and other support:			
Contributions and grants	\$ 30,256	20,988	51,244
Sales of donated items	40,566	-	40,566
Special event and registration fees	3,030	-	3,030
Net assets released from restriction (note 5)	583,840	(583,840)	-
Total revenues, gains, and other support	657,692	(562,852)	94,840
Expenses:			
Program services	599,452	-	599,452
General and administrative expenses	5,820	-	5,820
Fundraising	940	-	940
Total expenses	606,212	-	606,212
Change in net assets	51,480	(562,852)	(511,372)
Net assets at beginning of year	13,760	619,323	633,083
Net assets at end of year	\$ 65,240	56,471	121,711

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2021</u>
Expenses:				
Information technology	\$ -	2,630	-	2,630
License and permits	-	196	-	196
Office expense	-	20	-	20
Professional fees	-	2,974	-	2,974
Program expense	19,091	-	-	19,091
Fundraising	-	-	940	940
Scholarship	19,387	-	-	19,387
Transfer of funds	560,974	-	-	560,974
Total expenses	\$ 599,452	5,820	940	606,212

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 151,424	(511,372)
Changes in assets and liabilities:		
Increase in assets:		
Event and other receivables	(32,332)	(13,779)
Decrease in liabilities:		
Accounts payable and accrued expenses	(1,563)	(64,876)
Total adjustments	<u>(33,895)</u>	<u>(78,655)</u>
Net cash provided by (used in) operating activities	<u>117,529</u>	<u>(590,027)</u>
Net increase (decrease) in cash and cash equivalents	117,529	(590,027)
Cash and cash equivalents, beginning of year	<u>115,732</u>	<u>705,759</u>
Cash and cash equivalents, end of year	<u>\$ 233,261</u>	<u>115,732</u>
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 88,741	59,261
Cash and cash equivalents - restricted	<u>144,520</u>	<u>56,471</u>
Total cash and cash equivalents	<u>\$ 233,261</u>	<u>115,732</u>

For the years ended June 30, 2022 and 2021, the Foundation paid no interest or taxes.

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

(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.

In 2021, the Foundation transferred the operations and net assets associated with The First Tee of Coachella Valley to the Coachella Valley Youth Golf Foundation (CVYGF). As a result, the Foundation transferred \$560,974 to CVYGF and is shown as an expense to the Foundation on page 7.

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 a nine-member board of directors. One of the nine 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.

Desert Recreation Foundation
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

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

D. Assets, Liabilities, and Net Assets, continued

2. 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.

3. 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.

4. Revenue Recognition

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

5. 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.

6. 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, 2022. 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 2018.

7. Reclassification

The Foundation has reclassified certain prior year information to conform to current year presentations.

Desert Recreation Foundation
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 88,741	59,261
Cash and cash equivalents - restricted	144,520	56,471
Total	<u>\$ 233,261</u>	<u>115,732</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2022</u>	<u>2021</u>
Deposits held with financial insitutions	\$ 233,261	115,732
Total	<u>\$ 233,261</u>	<u>115,732</u>

(3) Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Depreciable assets:		
Equipment	\$ 12,613	12,613
Vehicles	25,935	25,935
Total depreciable assets	38,548	38,548
Accumulated depreciation	<u>(38,548)</u>	<u>(38,548)</u>
Total property and equipment, net	<u>\$ -</u>	<u>-</u>

(4) 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 \$233,261 and \$115,732 as of June 30, 2022 and 2021, respectively.

(5) Net Assets – With Donor Restrictions

As of June 30, 2022, net assets with donor restrictions are available for the following purposes:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2022</u>
Net assets – with donor restrictions				
Adaptive Sports	\$ 1,334	12,776	(1,300)	12,810
Trips for Kids	4,716	-	-	4,716
Chase the Ace	7,017	19,566	(1,785)	24,798
Youth program	43,404	128,501	(69,709)	102,196
Total net assets – with donor restrictions	<u>\$ 56,471</u>	<u>160,843</u>	<u>(72,794)</u>	<u>144,520</u>

Desert Recreation Foundation
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(5) Net Assets – With Donor Restrictions, continued

As of June 30, 2021, net assets with donor restrictions are available for the following purposes:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2021</u>
Net assets – with donor restrictions				
Adaptive Sports	\$ -	1,334	-	1,334
Financial assistance	664	395	(1,059)	-
Coachella Valley Youth Golf Foundation	582,054	-	(582,054)	-
Trips for Kids	3,400	1,316	-	4,716
Chase the Ace	6,891	353	(227)	7,017
Youth program	25,814	17,590	-	43,404
Bowling fundraiser	500	-	(500)	-
Total net assets – with donor restrictions	<u>\$ 619,323</u>	<u>20,988</u>	<u>(583,840)</u>	<u>56,471</u>

Adaptive sports – funds held for adaptive sports programs.

Financial assistance – funds held for Desert Recreation District programs.

Coachella Valley Youth Golf Foundation / 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 for the adaptive sports program.

Youth program – funds held for Desert Recreation District programs.

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

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

(6) Related Party Transactions

The Foundation provided grants and other assistance to the District in the amounts of \$25,477 and \$29,844 for the fiscal years ended June 30, 2022 and 2021, 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.

(7) 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 Fiscal Years Ended June 30, 2022 and 2021

(8) 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.

(9) Subsequent Events

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statement or disclosure as of November 29, 2022, which is the date the financial statements were available to be issued.