Desert Recreation Foundation

Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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Table of Contents

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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, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Desert Recreation Foundation as of June 30, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor’s Report, continued

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses on page 10 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 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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 4, 2018

Financial Section

Desert Recreation Foundation
Statement of Financial Position
June 30, 2018

Assets		2018
Current assets:		
Cash and cash equivalents	$	444,205
Event and other receivables		10,388
Total current assets		454,593
Non-current assets:		
Property and equipment, net (note 2)		2,943
Total non-current assets		2,943
Total assets	$	457,536
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$	145,525
Total liabilities		145,525
Net assets:		
Unrestricted		6,634
Temporarily restricted (note 3)		305,377
Total net assets		312,011
Total liabilities and net assets	$	457,536

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:				
Contributions and grants	$	1,585	148,677	150,262
Sponsorships		-	34,800	34,800
Sales of donated items		-	52,164	52,164
Special event and registration fees		104	80,719	80,823
Other		-	300	300
Net assets released from restriction (note 3)		308,157	(308,157)	-
Total revenues, gains, and other support		309,846	8,503	318,349
Expenses:				
The First Tee of Coachella Valley		298,157	-	298,157
Financial assistance		10,000	-	10,000
General and administrative expenses		6,628	-	6,628
Total expenses		314,785	-	314,785
Change in net assets		(4,939)	8,503	3,564
Net assets at beginning of year		11,573	296,874	308,447
Net assets at end of year	$	6,634	305,377	312,011

See accompanying notes to the basic financial statements

Desert Recreation Foundation
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

		2018
Cash flows from operating activities:		
Change in net assets	$	3,564
Adjustments to reconcile change in net assets to cash flows used in operating activities:		
Depreciation expense		2,523
Change in assets and liabilities:		
Event and other receivables		11,439
Accounts payable and accrued expenses		41,772
Total adjustments		55,734
Net cash used in operating activities		59,298
Net decrease in cash and cash equivalents		59,298
Cash and cash equivalent, beginning of year		384,907
Cash and cash equivalent, end of year	$	444,205

For the year ended June 30, 2018, the Foundation paid no interest or taxes.

See accompanying notes to the basic financial statements

(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 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, 2018.

Functional Allocation of Expenses

The costs of proving the Foundation's programs and administration have been summarized on a functional basis in the Statement 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.

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

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

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 of 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 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, 2018. 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 2015.

(2) Property and Equipment

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

		2018
Depreciable assets:		
Equipment	$	12,613
Vehicles		25,935
Total depreciable assets		38,548
Accumulated depreciation		(35,605)
Total property and equipment, net	$	2,943

Depreciation expense for the year ended June 30, 2018, totaled $2,523.

(3) Net Assets – Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

		Balance 2017	Additions	Deletions	Balance 2018
Temporarily restricted:					
Adaptive sports	$	1,000	-	-	1,000
Financial assistance		10,184	480	(10,000)	664
The First Tee of Coachella Valley		282,290	316,180	(298,157)	300,313
Trips for Kids		3,400	-	-	3,400
Total temporarily restricted	$	296,874	316,660	(308,157)	305,377

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.

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

(4) Related Party Transactions

The Foundation provided grants and other assistance to the District in the amount of $264,560 for the fiscal year ended June 30, 2018. 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.

(5) 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.

(6) 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.

(7) Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statement or disclosure as of December 4, 2018, which is the date the financial statements were available to be issued.

Supplementary Information Section

Desert Recreation Foundation
Schedule of Functional Expenses
For the Fiscal Year Ended June 30, 2018

		Program Services	General and Administrative	Fundraising	Total
Expenses:					
Information technology	$	450	1,599	-	2,049
License and permits		418	85	-	503
Office expense		1,094	37	-	1,131
Professional fees		-	4,147	-	4,147
Program expense		276,300	-	27,372	303,672
Depreciation		2,523	-	-	2,523
Other expenses		-	760	-	760
Total expenses	$	280,785	6,628	27,372	314,785