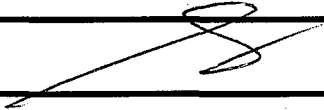




FILED
OFFICE OF THE CITY CLERK
OAKLAND
2019 MAY 16 PM 5:51

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator
FROM: Stephanie Hom
Deputy City Administrator
SUBJECT: Children's Fairyland Agreement
DATE: April 22, 2019

City Administrator Approval  Date: 5/16/19

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Enter Into An Agreement With Oakland Children's Fairyland, Inc. For The Operation And Management of Children's Fairyland, For A Fifteen Year Term Expiring on December 31, 2034, And Authorizing An Annual Subsidy to Children's Fairyland of \$200,000 Plus Cost of Living Adjustments.

EXECUTIVE SUMMARY

City Council approval of this resolution will authorize the City Administrator to enter into an agreement with the Oakland Children's Fairyland, Inc. (CFL) for the continued operation and management of Children's Fairyland at Lakeside Park. The agreement is for a fifteen (15) year term under which the City agrees to provide CFL an annual subsidy of \$200,000 with cost of living increases, and agrees to pay utility costs and subsidize the insurance premium costs.

Oakland Children's Fairyland, Inc. has successfully managed and operated Children's Fairyland since 1994. Children's Fairyland was built in 1950 and is an educational, historical, scientific, cultural and public theme park for young children. The park is also home to the Open Storybook Puppet Theater, known as the oldest continuously operating puppet theater in the United States. In addition, Children's Fairyland is reputed to have influenced Walt Disney in establishing what is now known as Disneyland®.

BACKGROUND / LEGISLATIVE HISTORY

The City owns the property and improvements known as "Children's Fairyland, USA" located at 699 Bellevue Avenue in Lakeside Park adjacent to Lake Merritt. The City also owns the animals that exist at the facility.

Children's Fairyland was built in 1950 by the Oakland Lake Merritt Breakfast Club. In 1994, the Oakland Children's Fairyland, Inc. (CFL) was formed as a not-for-profit organization to manage and operate Children's Fairyland under a ten-year agreement as authorized by City Council Resolution No. 71168 C.M.S. approved on July 5, 1994. City Council Resolution No. 78658

Item: _____
Life Enrichment Committee
May 28, 2019

C.M.S. adopted on July 6, 2004 extended the ten-year agreement through December 31, 2004. Through City Council Resolution No. 79001 C.M.S., the City of Oakland entered into a second agreement with Oakland Children's Fairyland, Inc. (CFL) for the operation and management of Children's Fairyland for a term of fifteen (15) years effective February 17, 2005 and expiring on December 31, 2019.

Under the current agreement, the City pays CFL \$83,000 by agreement plus an additional \$53,500 as part of the budgeting process for a total annual amount of \$136,500. There has been no cost of living adjustment as part of the 15-year agreement. The City also covers the utility and insurance premium costs with CFL contributing \$10,000 annually to offset the insurance premium. The cost of water and gas/electrical utilities has averaged \$55,000 per year for the past five (5) years. The cost of garbage and recycling is absorbed as City services with Waste Management of Alameda County (WMAC) and California Waste Solutions (CWS). The City, through the Risk Management office, provides the Commercial General Liability and Property Loss Insurance coverage with CFL contributing \$10,000 per year toward offsetting the cost of the coverage. The average annual insurance premium cost to the City over the past five (5) years is \$36,000 with an average annual increase of 7.13% per year.

CFL does not benefit from the Measure C – Oakland Hotel Tax approved by the voters in a special election on July 21, 2009. Measure C increased the transient occupancy tax from 11 percent to 14 percent with the revenue from the incremental increase distributed to specific programs. Measure C does not have a sunset provision. The following table illustrates Measure C prescribed allocations and revenue amounts for the past two (2) fiscal years, as well as the current FY 2018-19 budgeted General Fund amounts approved for each entity:

Entity	Measure C Allocation	FY 2016-17	FY 2017-18	Additional General Fund Contribution (FY 2018-19 Budgeted Amounts)
Visit Oakland	50%	\$2,940,854	\$3,226,324	
Oakland Zoo	12.5%	735,900	807,334	\$171,414 (per contract)
Oakland Museum of California	12.5%	735,900	807,334	3,700,000 (per contract)
Chabot Space and Science Center	12.5%	735,900	807,334	273,105
Cultural Arts Programs and Festivals	12.5%	735,900	807,334	
Children's Fairyland	n/a			\$136,500

ANALYSIS AND POLICY ALTERNATIVES

The City currently provides \$136,500 annually to CFL for the operation and management of Children's Fairyland. The City payment represents about five percent (5.0%) of the CFL annual revenue, with fundraising, grants, facility rentals and admissions fees comprising the remainder of the revenues. **Attachment A** is CFL's the most recently completed Audited Financial Statements for the year ended June 30, 2017.

CFL operates a Community Outreach Program aimed at increasing access to Fairyland for under-served children and families. In the CFL 2018 Community Impact Report, CFL highlighted that 10,394 young people participated in the CFL Community Outreach Program during the year between July 2017 and June 2018, of which 7,715 or 69% were Oakland residents. The value to the community for these programs equaled \$172,469, of which \$129,934 or 75% is attributed to Oakland in free field trips, educational programs, free admissions, and subsidized memberships. **Attachment B** is the Children's Fairyland Community Impact Report for 2018.

CFL's operations and management of Children's Fairyland attracts over 210,000 visitors per year. The overall impact to Oakland and the Oakland economy includes over \$2 million paid to CFL employees in salaries and benefits at living wage standard or higher, of which approximately 54% are Oakland residents. Approximately \$1 million per year is paid to local/regional vendors in purchases of food, supplies and facility maintenance.

As the CFL budget has more than doubled during the current fifteen-year agreement, the City payment to support CFL activities has remained static without a cost of living increase. The current agreement will be expiring at the end of this calendar year (December 31, 2019) and CFL has approached the City for a new agreement. It should be noted that the C.J. Hirschfield, the longtime executive director of Children's Fairyland for over 17 years has announced her retirement and will be leaving CFL at the end of the summer.

Since Fall 2018, City staff has been meeting with CFL about a new agreement and recommends to the City Council the following changes to the current agreement, with which CFL concurs:

Description	Current Agreement	New Agreement
Term	15 years, expiring December 31, 2019.	15 years, expiring December 31, 2034.
City Subsidies	\$136,500 [\$83,000 plus \$53,500 as part of each budget process.] No COLA. Also, Measure DD provided about \$3 million in one-time improvements.	\$200,000 plus annual COLA based on CPI.
City Subsidies (Utilities)	Average water/utilities over 5 years = \$55,000. Range between \$45,000 - \$61,700. Plus garbage and recycling services through WMAC and CWS.	City to continue paying for water, utilities and garbage and recycling services.
City Subsidies (Insurance)	Average premium cost to City over 5 years = \$36,000 (after \$10,000 CFL offset). Based on average annual increase of 7.13%, City would pay average of \$59,000 over next 10 years (after \$10,000 CFL offset).	City to continue paying insurance premiums with CFL contributing \$10,000 each year toward premium.
Rental Fees		CFL will provide the City with one facility rental per year upon request and mutually agreed upon date at no cost of rental fees. City will pay for direct costs of supporting the event such as event, security and custodial staffing.
Board of Directors	Up to eleven (11) members, of which seven (7) shall be CFL appointed members and four (4) shall be City appointed members.	Up to fifteen (15) members, of which eleven (11) shall be CFL appointed members and four (4) shall be City appointed members, with the aim of improve fundraising capacity amongst the Board.

Staff also recommends that the City Council authorize the City Administrator to negotiate and execute an agreement with Oakland Children's Fairyland, Inc. for the continued operation and management of Children's Fairyland with the new terms outlined above.

FISCAL IMPACT

As part of the biennial budget process, the City Council provides the funding through the General Purpose Fund (1010) to make payment to CFL as contractually obligated through the current agreement (\$83,000), as well as the additional funding provided above the amount required in the current agreement (\$53,500) for a total of \$136,500 per year.

If the City Council approves an amount of \$200,000 per year plus an annual cost of living increase, the funding would also be from the General Purpose Fund (1010). This amount of \$200,000 is included as part of the Mayor's FY 2019-21 Proposed Budget.

The funds are located specifically in the Parks, Recreation & Youth Development (OPRYD) department, General Purpose Fund (1010), Office of OPR Director Organization (501110), Miscellaneous Services Account (53719), Fairyland Subsidy Project (1000815).

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for the proposed policy action beyond the standard City Council agenda noticing procedures.

COORDINATION

The subject of this report has been developed in coordination with Oakland Children's Fairyland, Inc, as well as the Oakland Parks, Recreation & Youth Development department. This report has been reviewed by the Office of the City Attorney and Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: There are no direct economic opportunities associated with this report. However, CFL operations and its visitors contribute positively to the City's economy.

Environmental: There are no direct environmental opportunities associated with this report.

Social Equity: There are no direct social equity opportunities associated with this report. However, CFL maintains a Community Outreach Program aimed at increasing access to Fairyland for under-served children and families.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Enter Into An Agreement With Oakland Children's Fairyland, Inc. For The Operation And Management of Children's Fairyland, For A Fifteen Year Term Expiring on December 31, 2034, And Authorizing An Annual Subsidy to Children's Fairyland of \$200,000 Plus Cost of Living Adjustments.

For questions regarding this report, please contact Stephanie Hom, Deputy City Administrator at (510) 238-7542.

Respectfully submitted,



Stephanie Hom
Deputy City Administrator
City Administrator's Office

Attachments (2):

- A. Oakland Children's Fairyland, Inc. Financial Statements, June 30, 2017
- B. Children's Fairyland Community Impact Report 2018

OAKLAND CHILDREN'S FAIRYLAND, INC.

FINANCIAL STATEMENTS

June 30, 2017

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

OAKLAND CHILDREN'S FAIRYLAND, INC.

Contents

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-13

INDEPENDENT AUDITORS' REPORT

Board of Directors
Oakland Children's Fairyland, Inc.
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Oakland Children's Fairyland, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 from 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 Oakland Children's Fairyland, Inc. as of June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Oakland Children's Fairyland, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Oakland, California
March 31, 2018

OAKLAND CHILDREN'S FAIRYLAND, INC.

Statement of Financial Position
June 30, 2017
(With Comparative Totals as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 659,052	\$ 623,938
Accounts receivable	4,842	31,395
Pledges receivable	35,695	128,750
Prepaid expenses	1,458	14,316
Inventory	50,510	64,069
Total Current Assets	<u>751,557</u>	<u>862,468</u>
Deposits	-	14,400
Property and equipment, net (Note 4)	<u>243,243</u>	<u>212,302</u>
Total Assets	<u>\$ 994,800</u>	<u>\$ 1,089,170</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 64,367	\$ 79,321
Accrued vacation	48,730	51,454
Deferred revenue (Note 5)	<u>303,730</u>	<u>231,328</u>
Total Liabilities	<u>416,827</u>	<u>362,103</u>
Commitment and Contingencies (Notes 6 and 7)		
Net Assets		
Unrestricted net assets		
Board designated (Note 8)	102,841	95,115
Undesignated	<u>187,033</u>	<u>234,839</u>
Total Unrestricted	289,874	329,954
Temporarily restricted (Note 9)	<u>288,099</u>	<u>397,113</u>
Total Net Assets	<u>577,973</u>	<u>727,067</u>
Total Liabilities and Net Assets	<u>\$ 994,800</u>	<u>\$ 1,089,170</u>

See Notes to the Financial Statements

OAKLAND CHILDREN'S FAIRYLAND, INC.

Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
Support and Revenue					
Support					
Government grants	\$ 136,500	\$	\$	\$ 136,500	\$ 136,500
Foundation and corporate grants	47,605	91,504		139,109	465,944
Donations	56,665	59,965		116,630	109,987
Fundraising event, net (Note 11)	141,171			141,171	127,119
In kind contributions (Note 12)	28,489			28,489	26,831
Total Support	410,430	151,469	-	561,899	866,381
Revenue					
Admissions	1,425,394			1,425,394	1,337,304
Sales, net of \$246,785 and \$291,909 respectively, cost of goods sold	316,380			316,380	311,093
Program events	299,789			299,789	439,814
Interest	4,565			4,565	1,739
Miscellaneous	11,228			11,228	2,299
Total Revenue	2,057,356	-	-	2,057,356	2,092,249
Net assets released from donor restrictions (Note 9)	260,483	(260,483)		-	-
Total Support and Revenue	2,728,269	(109,014)	-	2,619,255	2,958,630
Expenses					
Program	2,247,815			2,247,815	1,942,265
Management and general	357,603			357,603	665,239
Fundraising	162,931			162,931	158,882
Total Expenses	2,768,349	-	-	2,768,349	2,766,386
Change in net assets	(40,080)	(109,014)	-	(149,094)	192,244
Net Assets, beginning of year as previously stated	329,954	397,113	4,333,533	5,060,600	4,868,356
Prior period adjustment (Note 13)			(4,333,533)	(4,333,533)	-
Net Assets, beginning of year as restated	329,954	397,113	-	727,067	4,868,356
Net assets, end of year	\$ 289,874	\$ 288,099	\$ -	\$ 577,973	\$ 5,060,600

See Notes to the Financial Statements

OAKLAND CHILDREN'S FAIRYLAND, INC.

Statement of Cash Flows
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (149,094)	\$ 192,244
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	19,653	159,639
Changes in assets and liabilities:		
Accounts receivable	26,553	9,405
Pledges receivable	93,055	(78,750)
Prepaid expenses	12,858	(950)
Inventory	13,559	(3,678)
Deposits	14,400	(14,400)
Accounts payable and accrued expenses	(14,954)	(42,061)
Accrued vacation	(2,724)	(1,094)
Deferred revenue	72,402	(50,957)
Net cash provided (used) by operating activities	<u>85,708</u>	<u>169,398</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(50,594)</u>	<u>(66,487)</u>
Net cash provided (used) by investing activities	<u>(50,594)</u>	<u>(66,487)</u>
Change in cash and cash equivalents	35,114	102,911
Cash and cash equivalents, beginning of year	<u>623,938</u>	<u>521,027</u>
Cash and cash equivalents, end of year	<u>\$ 659,052</u>	<u>\$ 623,938</u>

See Notes to the Financial Statements

OAKLAND CHILDREN'S FAIRYLAND, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

	Program		Total Program	Management and General	Fundraising	Total	
	Park Programs	Special Events				2017	2016
Salaries	\$ 1,324,703	\$ 105,136	\$ 1,429,839	\$ 153,528	\$ 84,932	\$ 1,668,299	\$ 1,614,390
Employee benefits	181,734	14,423	196,157	21,062	11,651	228,870	223,253
Payroll taxes	125,135	9,931	135,066	14,503	8,023	157,592	148,778
Total Personnel	<u>1,631,572</u>	<u>129,490</u>	<u>1,761,062</u>	<u>189,093</u>	<u>104,606</u>	<u>2,054,761</u>	<u>1,986,421</u>
Accounting fees			-	37,268	-	37,268	39,722
Other fees for service	146,736		146,736	2,380	-	149,116	117,516
Advertising and promotion			-	16,770	-	16,770	17,243
Supplies	72,396	30,607	103,003	12,093	21,471	136,567	182,603
Telephone	1,867		1,867	1,867	933	4,667	4,162
Postage and shipping			-	3,340	3,340	6,680	2,592
Maintenance and repairs	144,454		144,454	115	-	144,569	101,790
Bank fees			-	36,379	-	36,379	38,361
Copy and printing	6,329		6,329	6,329	3,165	15,823	9,959
Information technology	9,829		9,829	9,829	-	19,658	4,094
Travel and meals	48,525		48,525	-	-	48,525	46,167
Conferences, conventions, meetings			-	8,382	-	8,382	6,791
Depreciation	19,653		19,653	-	-	19,653	159,639
Insurance	1,151	1,500	2,651	12,603	-	15,254	15,517
Dues, licenses, services fees			-	17,214	-	17,214	6,156
In-kind materials			-	-	28,489	28,489	26,832
Miscellaneous	3,243	463	3,706	3,941	927	8,574	821
Total Expenses	<u>\$ 2,085,755</u>	<u>\$ 162,060</u>	<u>\$ 2,247,815</u>	<u>\$ 357,603</u>	<u>\$ 162,931</u>	<u>\$ 2,768,349</u>	<u>\$ 2,766,386</u>

See Notes to the Financial Statements

OAKLAND CHILDREN'S FAIRYLAND, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

NOTE 1: NATURE OF ACTIVITIES

Oakland Children's Fairyland, Inc. (the Organization), a California nonprofit public benefit organization, provides fairy tale exhibits, animals and talking storybooks that bring children's literature to life. It is located in a historic 10-acre park (the Park) which is owned by the City of Oakland (the City).

The make-believe worlds of Alice in Wonderland, Captain Hook and many more fairy tales and nursery rhymes are depicted with colorful sets. In addition, there are daily puppet shows, performances by Fairyland Personalities, rides and other special events. The Organization seeks to provide an inexpensive, family-oriented entertainment option in a wholesome environment.

The Organization was created in 1950 as America's first three-dimensional storybook theme park by the Lake Merritt Breakfast Club on land belonging to the City. Until July, 1994, the Organization operated as a non-profit trust, governed by a Board of Trustees who also served on the City's Park and Recreation Advisory Commission. In 1994, a not-for-profit corporation was formed and entered into an agreement with the City to manage the daily operations and restoration of the Park, oversee the budget, and determine development strategies for the Park.

The Organization funds activities through admission charges, programs and events, donor contributions, sales of food, toys, and magic keys, as well as support provided by the City

Because the Organization believes strongly in making the Park accessible to ALL children the Organization subsidizes admissions and offers free programs to thousands of Bay Area school children.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets may also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Organization.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled

OAKLAND CHILDREN'S FAIRYLAND, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of June 30, 2017.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts and Pledges Receivable

The Organization considers all accounts and pledges receivable to be fully collectible at June 30, 2017. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of June 30, 2017 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2017.

OAKLAND CHILDREN'S FAIRYLAND, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

Estimates

The preparation of financial statements in conformity with GAAP 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 amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2017.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Inventory

The toy shop and café inventories are stated at current cost. Keys, birthday parties and camp inventories are stated at actual cost.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$1,000; the fair value of donated property and equipment is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Capital improvements	10 – 30 years
Equipment	5-7 years

OAKLAND CHILDREN'S FAIRYLAND, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of March 31, 2018 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: GOVERNING AGREEMENT

In February, 2006, the Organization entered into an agreement with the City to manage, operate, and improve the Park through December 31, 2019. The Organization is responsible for the protection, maintenance and preservation of all property held as a custodian for the City. It is also responsible for the daily operations of the Park, fund raising and fiscal management, developing master and strategic plans, making capital improvements to the sets, equipment and structures, subcontracting with vendors and concessionaires, and the hiring and termination of employees. In consideration for these services, the City pays for utilities (e.g. water, electrical, garbage and tree trimming), subsidizes payment of the commercial general liability and property loss insurance premiums, and provides an annual cash subsidy of \$136,500. The Organization pays the City \$10,000 per year toward the cost of the subsidized insurance premiums.

The agreement may be terminated by the Organization or the City at any time without cause and without penalty upon six (6) months' prior written notice. Upon termination of this agreement, all assets and operations will be turned over to the City or its designated representative, and the City will assume all financial and operational responsibilities for the Park.

OAKLAND CHILDREN'S FAIRYLAND, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Construction in progress	\$ 32,604	\$ 64,148
Capital improvements	1,230,693	1,230,693
Equipment	198,423	158,746
Less: Accumulated depreciation	<u>(1,218,477)</u>	<u>(1,241,285)</u>
Total	<u>\$ 243,243</u>	<u>\$ 212,302</u>

NOTE 5: DEFERRED REVENUE

Deferred revenue represents unexpired memberships which are renewed on the anniversary of purchase, online promotions paid for, but not redeemed, and pre-payments received by the Organization for events that have not yet taken place. Generally these revenues are recognized in the first few months of the next fiscal year. As of June 30, 2017, all online promotions have expired. However, customers may apply the original purchase price to future admission or membership fees. Deferred revenue was comprised of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Membership	\$ 149,849	\$ 155,611
Online promotions	67,034	-
Camps, parties, overnights, and event deposits	<u>86,847</u>	<u>75,717</u>
Total	<u>\$ 303,730</u>	<u>\$ 231,328</u>

NOTE 6: COMMITMENT

Operating Leases

The Organization has a 60-month operating lease on a copier that will expire in February, 2020. Future annual payments are as follows for the years ending June 30:

2018	\$ 9,672
2019	9,672
2020	<u>1,612</u>
Total	<u>\$ 20,956</u>

NOTE 7: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

OAKLAND CHILDREN'S FAIRYLAND, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

NOTE 8: BOARD DESIGNATED NET ASSETS

As of June 30, 2017 and 2016, the Board of Directors designated \$102,841 and \$95,115 in unrestricted net assets for a deferred maintenance fund and unanticipated costs, respectively.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Capital Campaign	\$ 180,341	\$ 240,050
Education/Librarians	10,407	14,904
Children's Theater Program	-	15,000
3BGG	12,186	12,186
Outreach Grants	59,169	77,382
Landscaping	5,210	4,160
Theater for the Very Young	7,001	4,850
Animal Care	920	620
Play Island/Trolley	11,012	-
Painting Shed	1,853	2,961
Future operations	<u>-</u>	<u>25,000</u>
Total	<u>\$ 288,099</u>	<u>\$ 397,113</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended June 30:

	<u>2017</u>	<u>2016</u>
Capital Campaign	\$ 75,534	\$ 28,200
Education/Librarians	9,497	6,260
Pizza Oven	-	1,000
Outreach Grants	113,848	85,000
Carousel	-	2,261
Theater for the Very Young	12,509	9,150
Landscaping	2,000	1,292
Membership Program	-	10,000
Children's Theater Program	17,000	-
Painting Shed	1,107	-
Play Island/Trolley	3,988	-
Expiration of time	<u>25,000</u>	<u>25,000</u>
Total	<u>\$ 260,483</u>	<u>\$ 168,163</u>

NOTE 10: CONDITIONAL PROMISES TO GIVE

In addition to the activity reflected on the Organization's statement of activity, the Organization received a conditional promise to give totaling \$10,000 subject to certain program performance conditions. The Organization recognizes such promises to give as support once the related conditions are satisfied and expects all conditions to be met through December 2017.

OAKLAND CHILDREN'S FAIRYLAND, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

NOTE 11: FUNDRAISING EVENT

The Organization holds an annual fundraising event. Activity related to the event was as follows during the year ended June 30:

	<u>2017</u>	<u>2016</u>
Admission	\$ 10,984	\$ 2,560
Donations and sponsorships	112,316	91,678
Proceeds from auction of donated items	30,365	36,062
Merchandise sales	1,700	-
Donated supplies and services	15,708	18,195
Less: Costs of direct donor benefit	<u>(29,902)</u>	<u>(21,376)</u>
Total	<u>\$ 141,171</u>	<u>\$ 127,119</u>

NOTE 12: IN KIND CONTRIBUTIONS

Each year, the Organization receives goods and materials without cost or at a reduced cost. These items are recorded as revenue at their fair market value when received. During the year ended June 30, 2017, in kind contributions consisted of refreshments and prizes for program events.

NOTE 13: PRIOR PERIOD ADJUSTMENT

The prior year net assets have been adjusted to remove the net book value of building improvements and construction in progress paid for by the City on property owned by the City of Oakland. The adjustment reduces opening permanently restricted net assets and opening property and equipment by \$4,333,533. The adjustment has no effect on the results of current year activity.



Create, imagine, play, and learn.

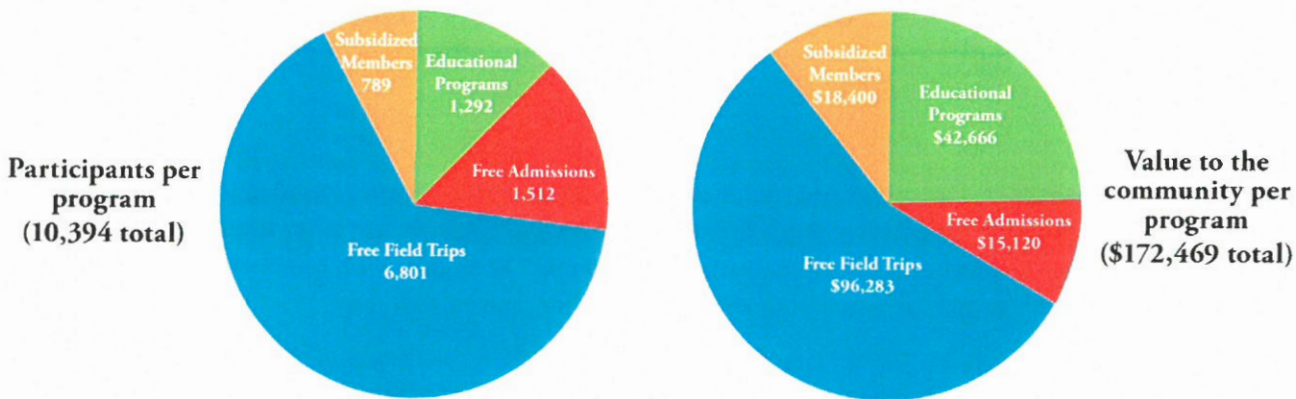
699 Bellevue Avenue
 Oakland, CA 94610
 Phone: (510) 452-2259
 Fax: (510) 452-2261
 Voice Mail: (510) 238-6878
www.fairyland.org

Children’s Fairyland Community Impact Report 2018

So much of what Children’s Fairyland is able to do for our community is accomplished through the generosity of donors. **We are grateful to the donors who chose to support Fairyland this past year.** Contributions helped us maintain admission fees that are affordable for many families and provide free admissions and educational programs for those who needed a helping hand. We also used donations to enhance and upgrade our park facilities, assuring that Fairyland will remain vital for future generations.

Because our supporters are key, we provide details annually about the impact of charitable giving over the course of the previous fiscal year.

Community Outreach and Education by the Numbers—July 2017 through June 2018



Program area	Oakland Participants	Oakland \$ Value
Free Field Trips	4,451 (65%)	\$79,249 (82%)
Educational Programs	1,278 (99%)	\$29,025 (68%)
Free Admissions	906 (60%)	\$9,060 (60%)
Subsidized Members	540 (68%)	\$12,600 (68%)
Total	7,715 (69%)	\$129,934 (75%)

Outreach Highlights

Field trips, our largest community outreach program, are highly valued by teachers and caregivers for supporting classroom curriculum and social/emotional development. Schools with at least 85% of students qualifying for free or reduced-price lunch are eligible for a free field trip. We often provide chartered bus transportation as well.

“The best part of our Fairyland field trip was seeing some of my most challenging boys, who are always trying to be ‘tough,’ smile and laugh and play like the 5-year-olds they are.” –Caliber Beta Academy Kindergarten Teacher



We hosted a variety of special events and community celebrations, including Transitional Kindergarten Day, Head Start Day, and Math and Science FAIRyland. Thanks to new partnerships we were able to add Port of Oakland Day (supported by the Port of Oakland), an enhanced Lunar New Year Celebration complete with lion dancers (The Eng Family Fund), and the Brilliant Baby Launch Party (Oakland Promise).

We expanded outreach through new and longstanding partnerships to provide admission passes or year-long family memberships to families with limited financial means. We initiated an online subsidized family membership application for families that meet eligibility requirements.

Education Highlights

With *Science Alive!* Fairyland brought hands-on Next Generation Science Standards–based learning to OUSD kindergarten and first-grade students in their classrooms and in Fairyland’s gardens and with our animals. It is a delightful program supported in part by the Clorox Company Foundation.

”I found the whole experience valuable; not only the science part, but the emotional growth they got by sharing every attraction, game and food.”— OUSD First grade teacher

Summer camp scholarships, Toddler Storytime, free admission to our annual celebration of children’s literature—*Turn the Page*, and book give aways supported early language development. Donor-supported Junior Animal Caretakers (Kerrilee Wong) gave a handful of children who have experienced extreme trauma an intensive, staff-supported experience working with Fairyland’s animals.

New Entryway!

Many years in the making, Fairyland’s new ADA-compliant entryway is complete, including a whimsical pathway to our iconic Old Lady’s Shoe and a first-ever, highly visible, lighted sign at the intersection of Grand and Bellevue Avenues (The Goodhue Family). We couldn’t be happier with this new look, a reminder to the community of the valuable family resource just a hop, skip, and a jump away!

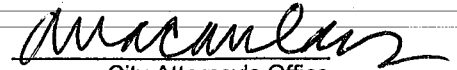
Directions for the Future

We are embarking on a new partnership with First 5 Alameda County, the Homeless Shelter Network, and Lyft, to provide families living in shelters a safe and comforting place to enjoy during the hours their shelter is closed. We hope to add two summer Junior Animal Caretakers sessions, expand *Science Alive!* to reach additional kindergarten and first grade classrooms, and are excited by the success of this summer’s circus show produced in partnership with Circus Center.

It truly takes a village. We are grateful for the many donors, supporters and friends who are on our team.

Respectfully submitted: C.J. Hirschfield, Executive Director September 4, 2018

FILED
OFFICE OF THE CITY CLERK
OAKLAND


City Attorney's Office

2019 MAY 16 PM 5:50

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO ENTER INTO AN AGREEMENT WITH OAKLAND CHILDREN'S FAIRYLAND, INC. FOR THE OPERATION AND MANAGEMENT OF CHILDREN'S FAIRYLAND FOR A FIFTEEN YEAR TERM EXPIRING ON DECEMBER 31, 2034, AND AUTHORIZING AN ANNUAL SUBSIDY TO CHILDREN'S FAIRYLAND OF \$200,000 PLUS COST OF LIVING ADJUSTMENTS

WHEREAS, the City of Oakland ("City") and the Oakland Children's Fairyland, Inc., a non-profit corporation ("CFL"), seek to enter into an Agreement for the purpose of operating, managing, maintaining and improving Children's Fairyland for the use and benefit of the public; and

WHEREAS, Children's Fairyland, which real property and improvements are owned by the City, is located at 699 Bellevue Avenue, Oakland, California (herein referred to as "Park"); and

WHEREAS, the Park is an historic and unique asset for the recreation, education and enjoyment of Oakland's children, students, residents and visitors through its landscaped gardens, colorful storybook and fairytale sets, small rides, farm animals, puppet theatre, picnic areas and other programming; and

WHEREAS, the City wishes to promote and assist in improving the Park as an educational and recreational area; and

WHEREAS, in 1993 pursuant to Resolution No. 70531 C.M.S. the City Council authorized the formation of a non-profit corporation for Children's Fairyland and authorized the Mayor to make all initial appointments to the Children's Fairyland Board of Directors (the "Board"); and

WHEREAS, pursuant to Resolution No. 79001 C.M.S., the City Council authorized increasing the size of the Board from nine members to eleven members, and authorized seven of the Board members to be appointed by CFL and four members to be appointed by the City, of which three shall be appointed by the Mayor and confirmed by the City Council and one shall be a City Administrator designee; and

WHEREAS, CFL wishes to increase the number of members on the Board to improve funding raising capacity; and

WHEREAS, the CFL, which has successfully managed and operated the Park since 1994 under a ten-year agreement and a subsequent fifteen-year agreement with the City, agrees to be solely responsible for the maintenance, operation and improvement of said property; and

WHEREAS, the proposed agreement will allow CFL to collect and use revenues collected at the Park, including sub-licensed concession charges, admission charges, rental fees, and raising of funds in any other lawful manner for the maintenance, operation and improvement of the Park; and

WHEREAS, CFL will submit proposed changes to Park fees and charges to the City Council for approval in the Master Fee Schedule; and

WHEREAS, the City values the economic and social benefit that CFL adds to the City and CFL operates a Community Outreach Program aimed at increasing access to Fairyland for under-served children and families; and

WHEREAS, CFL may continue to receive consideration from the City Council for an increase to the subsidy as part of the biennial budget process that if approved would require award under separate agreements; now, therefore, be it

RESOLVED: That the City Administrator of the City of Oakland is hereby authorized to negotiate and execute an Agreement with CFL for a fifteen-year term expiring on December 31, 2034; and be it

FURTHER RESOLVED: That the City will pay an annual subsidy to CFL in an amount not to exceed \$200,000 plus an annual cost of living adjustment from the General Purpose Fund (1010) or other eligible source of City funds that will be included in the City of Oakland's adopted budget; and be it

FURTHER RESOLVED: That the City will also provide for electricity, water, garbage removal and recycling services at the Park at an estimated average value of \$55,000 per year; and be it

FURTHER RESOLVED: That the City will also provide for Commercial General Liability/Property Loss insurance at the Park with premium costs estimated to average \$69,000 per year, with CFL contributing \$10,000 per year toward the insurance premiums; and be it

FURTHER RESOLVED: That CFL will provide the City with one facility rental per year for an event upon request and mutually agreed upon date at no cost of rental fees but with the City paying for direct costs associated with the event such as event security and custodial staffing; and be it

FURTHER RESOLVED: That the CFL Board of Directors will increase in size from the current total of up to eleven (11) members to a new total of up to fifteen (15) members, which shall be selected from a broad cross-section of people in the Bay Area that reflects the cultural diversity of the Oakland community and the East Bay; and be it

FURTHER RESOLVED: That eleven (11) of the CFL Board of Directors shall be appointed by CFL and four (4) shall be appointed by the City, of which three (3) shall be appointed by the Mayor and confirmed by the City Council and one (1) shall be a City Administrator designee; and be it

FURTHER RESOLVED: That the Office of the City Attorney shall review and approve the Agreement authorized by this Resolution prior to the City Administrator's execution of same; and a copy of the Agreement will be on file at the Office of the City Clerk; and be it

FURTHER RESOLVED: That the City Administrator is hereby authorized to take whatever action is necessary with respect to the Oakland Children's Fairyland, Inc. Agreement for Park operations in accordance with the basic purpose of this Resolution.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND
PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California