

# CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# California State Parks Foundation

## Independent Auditors' Report and Financial Statements

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**Independent Auditors' Report**

THE BOARD OF TRUSTEES  
CALIFORNIA STATE PARKS FOUNDATION  
San Francisco, California

We have audited the accompanying statement of financial position of **CALIFORNIA STATE PARKS FOUNDATION (the Foundation)** as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Foundation's 2010 financial statements and, in our report dated October 5, 2010, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the results of its activities and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

San Francisco, California  
September 22, 2011

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# California State Parks Foundation

## Statement of Financial Position

<i>June 30, 2011 (with comparative totals for 2010)</i>	2011	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 8,270,409	\$ 8,473,552
Cash and cash equivalents held on behalf of others	1,113,840	1,113,683
Contributions, grants and other accounts receivable	1,027,110	1,376,937
Prepaid expenses and other assets	234,992	248,651
Investments	7,110,711	6,314,701
Planned gifts	701,674	683,485
Property, plant and equipment, net	618,521	706,667
<b>Total assets</b>	<b>\$ 19,077,257</b>	<b>\$ 18,917,676</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 611,865	\$ 647,941
Funds held on behalf of others	1,113,840	1,113,683
Deferred revenue	3,994,420	3,971,840
Deferred rent	432,785	448,466
Liability to beneficiaries of planned gifts	52,158	76,023
<b>Total liabilities</b>	<b>6,205,068</b>	<b>6,257,953</b>
<b>Net Assets:</b>		
Unrestricted	6,698,781	5,608,699
Temporarily restricted	4,168,834	5,229,944
Permanently restricted	2,004,574	1,821,080
<b>Total net assets</b>	<b>12,872,189</b>	<b>12,659,723</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,077,257</b>	<b>\$ 18,917,676</b>

The accompanying notes are an integral part of this statement.

# California State Parks Foundation

## Statement of Activities

Year Ended June 30, 2011 (with comparative totals for 2010)

	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenue and Support:</b>					
Contributions	\$ 2,604,470	\$ 2,255,227	\$ 200,000	\$ 5,059,697	\$ 5,906,635
Membership dues	4,789,003			4,789,003	4,662,904
Services to State Parks					851,970
Donated goods and services	888,790			888,790	1,003,440
Bequests	63,539			63,539	401,043
Investment income	326,633	143,187	9,932	479,752	713,173
Events	287,103	4,535		291,638	196,418
Other income	353,903	2,066		355,969	174,407
Net assets released from restrictions	3,677,814	(3,677,814)			
<b>Total revenues and support</b>	<b>12,991,255</b>	<b>(1,272,799)</b>	<b>209,932</b>	<b>11,928,388</b>	<b>13,909,990</b>
<b>Expenses:</b>					
Program services	9,040,452			9,040,452	8,608,835
Management and general	1,311,736			1,311,736	1,080,197
Fundraising	1,922,441			1,922,441	1,747,309
<b>Total expenses</b>	<b>12,274,629</b>			<b>12,274,629</b>	<b>11,436,341</b>
<b>Change in Net Assets from Operations</b>	<b>716,626</b>	<b>(1,272,799)</b>	<b>209,932</b>	<b>(346,241)</b>	<b>2,473,649</b>
<b>Other Changes:</b>					
Change in value of planned gifts		23,526		23,526	34,545
Unrealized investment gains (loss)	373,456	188,163	(26,438)	535,181	48,653
<b>Change in Net Assets</b>	<b>1,090,082</b>	<b>(1,061,110)</b>	<b>183,494</b>	<b>212,466</b>	<b>2,556,847</b>
<b>Net Assets - beginning of year</b>	<b>5,608,699</b>	<b>5,229,944</b>	<b>1,821,080</b>	<b>12,659,723</b>	<b>10,102,876</b>
<b>Net Assets - end of year</b>	<b>\$ 6,698,781</b>	<b>\$ 4,168,834</b>	<b>\$ 2,004,574</b>	<b>\$ 12,872,189</b>	<b>\$ 12,659,723</b>

The accompanying notes are an integral part of this statement.

# California State Parks Foundation

## Statement of Functional Expenses

*Year Ended June 30, 2011 (with comparative totals for 2010)*

	2011				2010 Total
	Program Services	General and Administrative	Fund Raising	Total	
<b>Personnel Costs:</b>					
Salaries	\$ 941,198	\$ 706,587	\$ 352,427	\$ 2,000,212	\$ 1,754,369
Payroll taxes	69,037	51,828	25,850	146,715	133,361
Employee benefits	151,224	113,529	56,625	321,378	239,421
<b>Total personnel costs</b>	<b>1,161,459</b>	<b>871,944</b>	<b>434,902</b>	<b>2,468,305</b>	<b>2,127,151</b>
<b>Expenses:</b>					
Direct grants	2,097,943			2,097,943	2,224,011
Park policy and advocacy	676,309			676,309	865,716
Membership	1,952,569		312,638	2,265,207	2,275,808
Direct project expense	720,408			720,408	246,645
Postage and delivery	397,826	7,887	178,823	584,536	592,096
Printing	334,313	160	181,440	515,913	440,450
Consulting	808,651	53,050	345,804	1,207,505	1,029,312
E-Commerce	3,402	30,621		34,023	
Events	203,066		303,765	506,831	431,312
Marketing Services for State Parks	112,939			112,939	61,539
Public education and promotion	11,320		2,790	14,110	129,249
Rent and relocation	163,921	123,089	61,388	348,398	316,389
Office supplies and expenses	33,464	22,975	11,458	67,897	53,913
Legal and professional fees	15,296	34,349	3,250	52,895	59,002
Communications	169,632	31,099	22,755	223,486	202,777
Travel	33,363	18,045	8,933	60,341	54,808
Computer expenses	34,772	23,544	11,742	70,058	62,111
Telephone	26,727	17,570	8,762	53,059	59,916
Depreciation	50,336	37,797	18,850	106,983	109,685
Insurance	11,800	7,565	3,773	23,138	22,066
Meetings and conferences	14,259	9,387	4,682	28,328	36,275
Repairs and maintenance	5,448	4,091	2,040	11,579	8,011
Development			4,190	4,190	14,932
Training	286	214	107	607	8,465
Recruiting		17,649		17,649	3,308
Miscellaneous	943	700	349	1,992	1,394
<b>Total</b>	<b>\$ 9,040,452</b>	<b>\$ 1,311,736</b>	<b>\$ 1,922,441</b>	<b>\$ 12,274,629</b>	<b>\$ 11,436,341</b>

The accompanying notes are an integral part of this statement.

# California State Parks Foundation

## Statement of Cash Flows

<i>Year Ended June 30, 2011 (with comparative totals for 2010)</i>	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 212,466	\$ 2,556,847
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net unrealized/realized gain on investments	(840,133)	(516,780)
Planned gifts	(42,054)	(48,581)
Depreciation and amortization	106,984	109,685
Changes in operating assets and liabilities:		
Contributions, grants and other accounts receivable	349,827	(527,239)
Prepaid expenses and other assets	13,659	(41,689)
Accounts payable and accrued expenses	(36,076)	(187,972)
Deferred revenue	22,580	2,971,840
Deferred rent	(15,681)	(3,136)
Funds held on behalf of others	157	
<b>Net cash (used) provided by operating activities</b>	<b>(228,271)</b>	<b>4,312,975</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(4,309,394)	(2,406,026)
Proceeds from sale of investments	4,353,517	2,137,331
Purchases of property, plant and equipment	(18,838)	(6,867)
<b>Net cash provided (used) by investing activities</b>	<b>25,285</b>	<b>(275,562)</b>
<b>Net (Decrease) Increase in Cash and Equivalents</b>	<b>(202,986)</b>	<b>4,037,413</b>
<b>Cash and Equivalents - Beginning of year</b>	<b>9,587,235</b>	<b>5,549,822</b>
<b>Cash and Equivalents - End of year</b>	<b>\$ 9,384,249</b>	<b>\$ 9,587,235</b>

The accompanying notes are an integral part of this statement.

# California State Parks Foundation

## Notes to Financial Statements

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### Note 1 - Organization:

California State Parks Foundation (the Foundation) is a nonprofit membership organization, established in 1969, dedicated to protecting, enhancing and advocating for California's magnificent State Parks.

The Foundation raises funds from a diverse base of members and donors to improve and expand park programs and facilities, with special emphasis on environmental education, diversity, volunteerism, and stewardship. Through advocacy, the Foundation educates the public, media and elected officials of the great contributions our 278 State Parks make to the quality of life in California. The preservation of our precious parklands is essential to serving the needs of California's increasingly urbanized population.

The Foundation and its 120,000 members are committed to ensuring that State Parks continue to provide recreation, adventure, renewal and inspiration to all Californians, both now and in the years to come.

The primary sources of the Foundation's support are from membership dues and contributions.

### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Presentation and Description of Net Assets

The Foundation reports information regarding its financial position and activities according to their classes of net assets: unrestricted, temporarily restricted and permanently restricted.

##### *Unrestricted Net Assets*

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Board of Trustees has designated \$4,863,100 as a quasi-endowment fund for the long-term investment and future needs of the Foundation.

##### *Temporarily Restricted Net Assets*

The portion of net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation.

##### *Permanently Restricted Net Assets*

The portion of net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Foundation.

# California State Parks Foundation

## Notes to Financial Statements

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b. Recognition of Revenue

Contributions and grants are recognized at their fair value when the donor/grantor makes an unconditional promise to give to the Foundation. Restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Membership dues are recognized during the applicable membership period.

The Foundation is the beneficiary under various wills and trust agreements. Such amounts are recognized in the Foundation's financial statements as bequests receivable and planned gifts when clear title is established and the proceeds are measurable.

c. Donated Goods and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

During the year ended June 30, 2011, the Foundation recorded in-kind donations of \$888,790 for membership premiums and professional services. These contributions are reflected in the financial statements as both in-kind donations and expense, and have no effect on the change in net assets for the year ended June 30, 2011.

The Foundation also receives donated services from various media outlets to promote program activities. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In 2011, the Foundation held \$1,113,840 in cash on behalf of others.

e. Investments

Investments are carried at estimated fair value on the Statement of Financial Position. Stocks, exchange traded funds and mutual funds with readily determinable fair value are reported at estimated fair value based on quoted market prices. Bonds are valued using observable market based inputs or unobservable inputs that are corroborated by market data. Investments received through gifts are recorded at estimated fair value at the date of donation. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reflected in the Statement of Activities. Investments received as contributions are recorded at fair market value on the date of receipt.

# California State Parks Foundation

## Notes to Financial Statements

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f. Property, Plant, and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from 3-45 years. Amortization of leasehold improvements is computed over the life of the related lease. The Foundation's policy is to capitalize property, plant and equipment expenditures or donations greater than \$1,000.

g. Planned Gifts

Planned gifts include the gift annuities, pooled income fund, and various charitable remainder trusts and consist primarily of marketable securities.

*Pooled Income Fund*

The Foundation recognizes its remainder interest in its pooled income fund as temporarily restricted contribution revenue in the period in which the assets are received from the donor. The assets are invested in a common trust fund with its fair value determined and provided by the bank trust managing the fund. The remainder interest is calculated by taking the fair value of the assets discounted for the estimated period of the donor's life expectancy. The remaining balance which is recorded as liability to beneficiaries of planned gifts (\$52,158 at June 30, 2011) represents the amount of the discount for future interest and is amortized over the expected life of the donor as temporarily restricted net assets using the appropriate discount rate and applicable mortality tables.

*Charitable Remainder Trusts*

The Foundation has not recorded its beneficial interest in several charitable remainder trusts as sufficient information is not available to value these interests.

The Foundation has been named an irrevocable beneficiary of a charitable remainder trust established by a long-time board member. The portion of the trust attributable to the future interest of the Foundation was recorded in the statement of activities as a temporarily restricted contribution in the year the Foundation was named an irrevocable beneficiary.

*Beneficial Interest in Perpetual Trust*

The Foundation was named as irrevocable beneficiary of a residual trust under trustee management by a California financial institution. The portion of the trust attributable to the future interest of the Foundation was recorded as permanently restricted revenue at the time of death of the income beneficiary in 1999. The fair value of the Foundation's interest in the trust is measured using the fair value of the assets contributed and held in the trust. The investment income received on the Trust has been designated to support a specific State Park and is recorded as temporarily restricted revenue when earned. Realized and unrealized gains and losses are recorded as changes to permanently restricted assets.

# California State Parks Foundation

## Notes to Financial Statements

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### h. Functional Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited based on estimates of related efforts or time usage by the Foundation's management.

### i. Income Taxes

The Foundation is a tax-exempt organization under the Internal Revenue Code, Section 509(a)(1) under Section 501(c)(3) and related California code sections. During fiscal year 2009, the Foundation received sponsorship payments as part of its operations. It has been determined that a portion of those payments may be unrelated business income under the Internal Revenue Code. Accordingly, a provision for income taxes has been reflected in the accrued expenses in the financial statements.

The Foundation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 for accounting for uncertainty in income taxes. Management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by federal or state authorities for years before 2007.

### j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### k. Fair Value Measurements

The Foundation classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

# California State Parks Foundation

## Notes to Financial Statements

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### l. Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

### m. Reclassification

Certain items as reported for the June 30, 2010 financial statements have been reclassified to conform with the June 30, 2011 financial statement presentation. Such reclassification had no effect on the financial position or statement of activities and changes in net assets.

### n. Subsequent Events

The Foundation has evaluated subsequent events through September 22, 2011, the date these financial statements were available to be issued. Other than as described below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

In July 2011, the Foundation entered into a promissory note with a California company to provide advanced financing for films on the California State Parks system. The agreement provides a loan of \$175,000 to be paid by September 2011. The loan is to be repaid in full by August 2012.

### o. Recent Accounting Pronouncements

*Adopted:*

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Fair Value Measurement and Disclosures* (Topic 820): *Improving Disclosures about Fair Value Measurements*. The ASU requires new fair value measurement disclosures about transfers in and out of Levels 1 and 2, and activity in Level 3 fair value measurements (purchases, sales, issuances, and settlements on a gross basis). The update also clarifies existing disclosures about the level of disaggregation and about inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods, beginning after December 15, 2009 except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The Foundation has implemented the update as of July 1, 2010.

# California State Parks Foundation

## Notes to Financial Statements

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### *Pronouncements effective in the future:*

In May 2011, the Financial Accounting Standards Board (FASB) issued an update with amendments that change the wording used to describe the requirements in U. S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include clarification of the Board's intent about the application of existing fair value measurement and disclosure requirements and some changes of a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. Some of the disclosures required by the amendments in this update are not required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011 for nonpublic entities. The Foundation is assessing the impact of the adoption of this update on its financial statements.

### **Note 3 - Contributions, Grants and Other Accounts Receivable:**

Contributions, grants and other accounts receivable consist of the following as of June 30:

	2011	2010
Contributions receivable	\$ 217,888	\$ 108,090
Grants receivable	795,822	1,245,798
Other accounts receivable	13,400	23,049
<b>Total</b>	<b>\$ 1,027,110</b>	<b>\$ 1,376,937</b>

Contributions receivable as of June 30, 2011 are expected to be received within one year. Grants receivable as of June 30, 2011 are expected to be received as follows: \$751,640 within one year and \$44,182 within five years. Management has determined that all amounts are fully collectible and has not recorded an allowance for uncollectible accounts.

# California State Parks Foundation

## Notes to Financial Statements

**Note 4 - Investments:**

The amortized cost and estimated fair values of the major components of investment securities are as follows:

<b>June 30, 2011</b>	Amortized Cost	Fair Value
Cash and cash equivalents	\$ 698,268	\$ 698,268
Stock and other equities	2,380,859	2,719,684
Exchange traded funds – equities	699,267	770,790
Mutual funds – fixed income	1,150,237	1,218,224
U.S. Treasury securities	421,140	420,383
Government agency bonds	704,752	728,656
Corporate bonds	526,811	554,706
	\$ 6,581,334	\$ 7,110,711

<b>June 30, 2010</b>	Amortized Cost	Fair Value
Cash and cash equivalents	\$ 317,528	\$ 317,528
Stock and other equities	3,175,242	2,875,117
Mutual funds – fixed income	1,024,142	1,073,555
U.S. Treasury securities	751,154	756,780
Government agency bonds	687,564	735,985
Corporate bonds	526,811	555,736
	\$ 6,482,441	\$ 6,314,701

Investment income at June 30, 2011 and 2010 include the following:

	2011	2010
Interest and dividends, net of fees	\$ 174,800	\$ 229,049
Realized gains	304,952	484,124
	479,752	713,173
Unrealized gains	535,181	48,653
	\$ 1,014,933	\$ 761,826

# California State Parks Foundation

## Notes to Financial Statements

Total investment income includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year June 30, 2011 and 2010 of \$58,653 and \$64,479, respectively, are reflected in the Statement of Activities as investment income, net of investment earnings.

### Note 5 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value at June 30, 2011 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments (see Note 4):				
Cash and cash equivalents	\$ 698,268			\$ 698,268
Stock and other equities	2,719,684			2,719,684
Exchange traded funds-equities	770,790			770,790
Mutual funds – fixed income		\$ 1,218,224		1,218,224
U.S. Treasury securities	420,383			420,383
Government agency mortgage-backed bonds		728,656		728,656
Corporate bonds		554,706		554,706
	4,609,125	2,501,586		7,110,711
Planned gifts:				
Perpetual trust investments:				
Cash and cash equivalents	9,951			9,951
Mutual funds – stocks	76,925			76,925
Mutual funds – bonds	69,259			69,259
Mutual funds – other	43,450			43,450
Pooled income investment:				
Common trust fund			\$ 236,397	236,397
Charitable trust receivable – outside trustee			265,692	265,692
	199,585		502,089	701,674
<b>Total</b>	<b>\$4,808,710</b>	<b>\$2,501,586</b>	<b>\$ 502,089</b>	<b>\$7,812,385</b>

# California State Parks Foundation

## Notes to Financial Statements

The table below presents the balances of assets measured at fair value at June 30, 2010 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments (see Note 4):				
Cash and cash equivalents	\$ 317,528			\$ 317,528
Stock and other equities	2,868,447			2,868,447
Mutual funds – fixed income	6,670	\$ 1,073,555		1,080,225
U.S. Treasury securities	756,780			756,780
Government agency mortgage-backed bonds		735,985		735,985
Corporate bonds		555,736		555,736
	3,949,425	2,365,276		6,314,701
Planned gifts:				
Perpetual trust investments:				
Cash and cash equivalents	9,535			9,535
Mutual funds – stocks	60,789			60,789
Mutual funds – bonds	63,832			63,832
Mutual funds – other	41,513			41,513
Pooled income investment:				
Common trust fund			\$ 242,114	242,114
Charitable trust receivable – outside trustee			265,692	265,692
	175,669		507,806	683,485
<b>Total</b>	\$4,125,094	\$2,365,276	\$ 507,806	\$6,998,176

The following is a rollforward of the Level 3 assets as of June 30, 2011:

	<u>Planned gifts</u>	<u>Total</u>
Fair value at June 30, 2010	\$ 507,806	\$ 507,806
Total realized and unrealized gains	6,813	6,813
Payments to beneficiaries	(12,530)	(12,530)
Fair value at June 30, 2011	\$ 502,089	\$ 502,089

# California State Parks Foundation

## Notes to Financial Statements

### *Other financial instruments*

Financial instruments, which are included in the Foundations' Statement of Financial Position as of June 30, 2011 but not required to be measured at fair value, consist of cash equivalents, contribution receivables, grant and other receivables, and accounts payable. Their carrying amounts represent a reasonable estimate of the corresponding fair values.

Liability to beneficiaries of planned gifts approximate fair value using methodologies described in Note 2.

### **Note 6 - Property, Plant and Equipment:**

Property, plant and equipment at June 30, 2011 and 2010, consist of the following:

	2011	2010
Furniture and equipment	\$ 269,745	\$ 389,743
Leasehold improvements	817,237	812,217
	<hr/>	<hr/>
	1,086,982	1,201,960
Less accumulated depreciation	(468,461)	(495,293)
	<hr/>	<hr/>
	\$ 618,521	\$ 706,667

### **Note 7 - Line of Credit:**

The Foundation entered into a secured line of credit agreement in October 2010 with a financial institution to provide working capital for major facilities projects in State Parks and operating capital. The line provides up to \$1,000,000 at a variable interest at prime. The Foundation has not drawn on the line of credit as of June 30, 2011.

# California State Parks Foundation

## Notes to Financial Statements

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### Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	2011	2010
Planned giving and memorials	\$ 532,095	\$ 482,889
Program services	3,636,739	4,747,055
	<hr/>	<hr/>
	\$ 4,168,834	\$ 5,229,944

Net assets of \$3,677,814 were released during 2011, in accordance with the donors' intent.

### Note 9 - Endowments Funds:

The Foundation's endowments consist of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Donor-restricted endowment funds are restricted to investment in perpetuity, the income from which is expendable to support programmatic activities of the Foundation. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation adopted FASB ASC Topic 958-205, *Reporting Endowment Funds*. The state of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its State Prudent Management of Institutional Funds Act ("SPMIFA").

#### *Interpretation of Relevant Law*

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

# California State Parks Foundation

## Notes to Financial Statements

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In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, (7) The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$35,846 as of June 30, 2011 and 2010, respectively.

### *Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 and other relevant indexes while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return exceeding the CPI rate of inflation. Actual returns in any given year may vary from this amount.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation is reinvesting all interest and gain associated with its endowments. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average rate exceeding the CPI rate of inflation. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# California State Parks Foundation

## Notes to Financial Statements

Endowment funds as of June 30, 2011 are as follows:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 342,291	\$ 2,004,574	\$ 2,346,865
Board-designated funds	4,863,100			4,863,100
<b>Total endowment funds</b>	<b>\$ 4,863,100</b>	<b>\$ 342,291</b>	<b>\$ 2,004,574</b>	<b>\$ 7,209,965</b>

Endowment activity by net asset classification as of June 30, 2011:

Endowment net assets, beginning of year	\$ 4,438,932	\$ 103,955	\$ 1,821,080	\$ 6,363,967
Investment return:				
Income	118,319	52,650	9,932	180,901
Net realized and unrealized gains (loss)	565,735	277,775	(26,438)	817,072
<b>Total investment return</b>	<b>684,054</b>	<b>330,425</b>	<b>(16,506)</b>	<b>997,973</b>
Contributions			200,000	200,000
Appropriation of endowment assets for expenditure	(295,732)	(56,243)		(351,975)
<b>Subtotal before other changes</b>	<b>4,827,254</b>	<b>378,137</b>	<b>2,004,574</b>	<b>7,209,965</b>
Other changes:				
Transfer to unrestricted endowment funds	35,846	(35,846)		
<b>Endowment net assets, end of year</b>	<b>\$ 4,863,100</b>	<b>\$ 342,291</b>	<b>\$ 2,004,574</b>	<b>\$ 7,209,965</b>

# California State Parks Foundation

## Notes to Financial Statements

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### **Note 10 - Joint Costs:**

In 2011, the Foundation incurred joint costs of \$3,863,166 for informational materials and activities that included fundraising appeals. Of those costs, \$2,924,301 was allocated to program services and \$938,865 was allocated to fundraising in 2011.

### **Note 11 - Employee Benefit Plan:**

The Foundation established a defined contribution retirement plan on July 1, 1997 for all individuals employed as of January 1, 1997. Individuals hired after January 1, 1997 are eligible to participate at the beginning of the calendar quarter after their hire date and are eligible for the Foundation match after one year of service. Part-time employees are not eligible to participate in the plan until they reach 1,000 hours of service for the Foundation.

The Foundation matches up to 7% of the employee's elected deferral amount. Other contributions could be made by the Foundation on behalf of employees on a discretionary basis. Employee contributions are vested 100%. Employer matching contributions are vested immediately. The Foundation made matching contributions of \$90,642 and \$84,308 during the years ended June 30, 2011 and 2010, respectively.

### **Note 12 - Commitments and Contingencies:**

The Foundation currently has an agreement with California Department of Parks and Recreation that allows the Foundation to issue annual and day use passes as part of its membership benefit program through June 2014. The State provides passes to the Foundation at a percentage of their retail price.

#### *Wetlands Restoration Project*

The Foundation is currently the project manager on behalf of California Department of Parks and Recreation (CDPR) on a multi-year wetlands restoration project on State Parks land. In fiscal year 2011, the pre-construction phase of the project has completed and the Phase 1 construction is underway. The Phase 1 construction, which is managed directly by CDPR, will cost approximately \$17,500,000 to complete, and funded by various sources including funds received by the Foundation. The Foundation disbursed approximately \$768,000 and \$1,000,000 to CDPR for the Phase 1 construction for the years ended June 30, 2011 and 2010, respectively.

The Foundation received mitigation funds from Bay Area Rapid Transit and San Francisco International Airport in the amount of \$5,000,000 to be used for the wetlands restoration project. At June 30, 2011, the amount of \$3,930,000 is included in deferred revenue.

# California State Parks Foundation

## Notes to Financial Statements

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The wetlands restoration project is also partially funded through a reimbursable grant agreement with the State Coastal Conservancy in the amount of \$4,064,400. As of June 30, 2011, the Foundation has received approximately \$1,123,600 to date for work completed on the project.

In 2011, the Foundation entered into an agreement with a consulting firm for approximately \$995,000 to provide contractual management onsite during the Phase 1 construction of the project. The Foundation incurred approximately \$103,500 of related consulting expense as of June 30, 2011.

### *Operating Lease*

The Foundation has an operating lease agreement for its headquarters in San Francisco through April 2018, which requires minimum base lease payments. The Foundation also has operating lease agreements for its Los Angeles office through June 2017 and its Sacramento office through May 2018.

The future minimum lease payments under the lease agreements for the offices in San Francisco, Los Angeles and Sacramento for the next five fiscal years are as follow:

Year Ending	
June 30,	
2012	\$ 355,636
2013	375,213
2014	389,955
2015	404,743
2016	419,559
Thereafter	743,384
	<hr/>
	\$ 2,688,490

Rental expense under these agreements for the year ended June 30, 2011 was approximately \$348,400. In 2008, the Foundation received an allowance for tenant improvements from the landlord in the amount of \$334,520. The Foundation also received seven months of free rent under the lease agreement for a total of approximately \$159,000. The allowance and free rent have been deferred and will be recognized over the life of the lease.

# California State Parks Foundation

## Notes to Financial Statements

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### **Note 13 - Concentration of Credit Risk:**

The Foundation has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash, investments, receivables and planned gifts.

The Foundation invests its excess cash in cash deposits and money market funds with various financial institutions. Periodically, throughout the year, the Foundation has maintained balances in its bank and investment accounts in excess of federally insured limits.

In order to mitigate credit and market risk, the Foundation maintains a formal investment policy that sets out performance criteria, investment guidelines and requires review of the investment managers' performance. Investments are managed by UBS Private Wealth Services of San Francisco, California.

Assets of the pooled income fund are held by Union Bank of California.

All receivables consist primarily of unsecured amounts due from individuals, foundation and corporate grants and contractual obligations due from governmental agencies as part of the Foundation's programmatic efforts. The credit risk associated with the receivables from individuals is mitigated by the number of individuals and grantors comprising the receivable balance. A reserve has been established for any amounts identified as uncollectible by management.