

# CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2010

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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, 2010, 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 2009 financial statements and, in our report dated October 5, 2009, 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, 2010, 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*

October 5, 2010

*Consultants and*

*Business Advisors*

*100 First Street*

*14<sup>th</sup> Floor*

*San Francisco*

*CA 94105*

*415.781.0793*

*fax 415.421.2976*

*San Francisco*

*San Jose*

*Redwood Shores*



# California State Parks Foundation

## Statement of Financial Position

<i>June 30,</i>	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 8,473,552	\$ 4,436,139
Cash and cash equivalents held on behalf of others	1,113,683	1,113,683
Contributions, grants and other accounts receivable, net	1,376,937	849,698
Prepaid expenses and other assets	248,651	206,962
Investments	6,314,701	5,529,226
Planned gifts	683,485	651,889
Property, plant and equipment, net	706,667	809,485
<b>Total assets</b>	<b>\$ 18,917,676</b>	<b>\$ 13,597,082</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 647,941	\$ 835,913
Funds held on behalf of others	1,113,683	1,113,683
Deferred revenue	3,971,840	1,000,000
Deferred rent	448,466	451,602
Liability to beneficiaries of planned gifts	76,023	93,008
<b>Total liabilities</b>	<b>6,257,953</b>	<b>3,494,206</b>
<b>Net Assets:</b>		
Unrestricted	5,608,699	4,699,527
Temporarily restricted	5,229,944	3,598,093
Permanently restricted	1,821,080	1,805,256
<b>Total net assets</b>	<b>12,659,723</b>	<b>10,102,876</b>
<b>Total liabilities and net assets</b>	<b>\$ 18,917,676</b>	<b>\$ 13,597,082</b>

# California State Parks Foundation

## Statement of Activities

Year Ended June 30, 2010 (with comparative totals for 2009)

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenue and Support:</b>					
Contributions	\$ 1,937,587	\$ 3,969,048		\$ 5,906,635	\$ 4,625,413
Membership dues	4,662,904			4,662,904	3,870,125
Services to State Parks	851,970			851,970	125,983
Net gain on sale of property	-			-	25
Donated goods and services	1,003,440			1,003,440	745,225
Bequests	398,728	2,315		401,043	159,076
Investment income (loss)	507,063	197,666	\$ 8,444	713,173	(807,539)
Events	177,103	19,315		196,418	398,959
Other income	168,550	5,857		174,407	164,220
Net assets released from restrictions	2,611,241	(2,611,241)			
<b>Total revenues and support</b>	<b>12,318,586</b>	<b>1,582,960</b>	<b>8,444</b>	<b>13,909,990</b>	<b>9,281,487</b>
<b>Expenses:</b>					
Program services	8,608,835			8,608,835	7,657,638
Management and general	1,080,197			1,080,197	1,068,438
Fundraising	1,747,309			1,747,309	1,673,758
<b>Total expenses</b>	<b>11,436,341</b>			<b>11,436,341</b>	<b>10,399,834</b>
<b>Change in Net Assets from Operations</b>	<b>882,245</b>	<b>1,582,960</b>	<b>8,444</b>	<b>2,473,649</b>	<b>(1,118,347)</b>
<b>Other Changes:</b>					
Change in value of planned gifts		34,545		34,545	(38,206)
Unrealized investment (losses) gains	26,927	14,346	7,380	48,653	(375,872)
<b>Change in Net Assets</b>	<b>909,172</b>	<b>1,631,851</b>	<b>15,824</b>	<b>2,556,847</b>	<b>(1,532,425)</b>
<b>Net Assets - beginning of year</b>	<b>4,699,527</b>	<b>3,598,093</b>	<b>1,805,256</b>	<b>10,102,876</b>	<b>11,635,301</b>
<b>Net Assets - end 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>

# California State Parks Foundation

## Statement of Functional Expenses

Year Ended June 30, 2010 (with comparative totals for 2009)

	2010			Total	2009 Total
	Program Services	General and Administrative	Fund Raising		
<b>Personnel Costs:</b>					
Salaries	\$ 854,426	\$ 581,025	\$ 318,918	\$ 1,754,369	\$ 1,633,106
Payroll taxes	64,950	44,168	24,243	133,361	122,797
Employee benefits	116,605	79,293	43,523	239,421	249,999
<b>Total personnel costs</b>	<b>1,035,981</b>	<b>704,486</b>	<b>386,684</b>	<b>2,127,151</b>	<b>2,005,902</b>
<b>Expenses:</b>					
Direct grants	2,224,011	-	-	2,224,011	877,591
Park policy and advocacy	865,716	-	-	865,716	1,307,530
Membership	1,981,016	-	294,792	2,275,808	1,931,031
Program expenses	58,103	-	-	58,103	-
Postage and delivery	384,367	5,988	201,741	592,096	577,692
Printing	278,417	5	162,028	440,450	541,477
Consulting	629,754	80,674	318,884	1,029,312	1,175,605
Events	424,443	-	195,411	619,854	554,889
Marketing Services for State Parks	61,539	-	-	61,539	71,585
Public education and promotion	103,432	-	25,817	129,249	228,091
Rent and relocation	154,081	104,725	57,583	316,389	404,968
Office supplies and expenses	27,666	16,935	9,312	53,913	55,013
Legal and professional fees	20,289	35,518	3,195	59,002	74,503
Communications	164,848	20,444	17,485	202,777	203,584
Travel	33,448	13,782	7,578	54,808	64,796
Computer expenses	30,429	20,443	11,239	62,111	62,141
Telephone	30,695	18,854	10,367	59,916	60,435
Depreciation	53,416	36,306	19,963	109,685	119,212
Insurance	11,811	6,617	3,638	22,066	17,100
Meetings and conferences	26,415	6,362	3,498	36,275	32,763
Repairs and maintenance	3,901	2,652	1,458	8,011	10,615
Development	-	-	14,932	14,932	17,451
Training	4,122	2,802	1,541	8,465	1,370
Recruiting	-	3,308	-	3,308	345
Miscellaneous	935	296	163	1,394	4,145
<b>Total</b>	<b>\$ 8,608,835</b>	<b>\$ 1,080,197</b>	<b>\$ 1,747,309</b>	<b>\$ 11,436,341</b>	<b>\$ 10,399,834</b>

# California State Parks Foundation

## Statement of Cash Flows

<i>Year Ended June 30,</i>	2010	2009
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 2,556,847	\$ (1,532,425)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of property		(25)
Net unrealized/realized (gain) loss on investments	(516,780)	1,440,321
Planned gifts	(48,581)	61,713
Depreciation and amortization	109,685	119,213
Changes in operating assets and liabilities:		
Contributions, grants and other accounts receivable	(527,239)	100,208
Prepaid expenses and other assets	(41,689)	(65,725)
Accounts payable and accrued expenses	(187,972)	(566,210)
Deferred revenue	2,971,840	1,000,000
Deferred rent	(3,136)	117,082
Funds held on behalf of others	-	1,113,683
<b>Net cash provided by operating activities</b>	<b>4,312,975</b>	<b>1,787,835</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(2,406,026)	(4,297,166)
Proceeds from sale of investments	2,137,331	3,849,202
Purchases of property, plant and equipment	(6,867)	(22,945)
Proceeds from sale of property	-	25
<b>Net cash used by investing activities</b>	<b>(275,562)</b>	<b>(470,884)</b>
<b>Cash Flows from Financing Activities:</b>		
Repayments on line of credit	-	(79,503)
<b>Net cash used by financing activities</b>	<b>-</b>	<b>(79,503)</b>
<b>Net Increase in Cash and Equivalents</b>	<b>4,037,413</b>	<b>1,237,448</b>
<b>Cash and Equivalents - Beginning of year</b>	<b>5,549,822</b>	<b>4,312,374</b>
<b>Cash and Equivalents - End of year</b>	<b>\$ 9,587,235</b>	<b>\$ 5,549,822</b>

# 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 115,000 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 \$4,474,778 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.

# California State Parks Foundation

## Notes to Financial Statements

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### *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.

#### 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, 2010, the Foundation recorded in-kind donations of \$1,003,440 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, 2010.

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 2010, the Foundation held \$1,113,683 in cash on behalf of others.

# California State Parks Foundation

## Notes to Financial Statements

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e. Investments

Investments are carried at estimated fair value on the Statement of Financial Position. Stocks 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.

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 (\$76,023 at June 30, 2010) 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.

# California State Parks Foundation

## Notes to Financial Statements

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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.

#### 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 Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Foundation adopted this new guidance for the year ended June 30, 2010. Management evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

# California State Parks Foundation

## Notes to Financial Statements

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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.

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, 2009 from which the summarized information was derived.

m. Reclassification

Certain items as reported for the June 30, 2009 financial statements have been reclassified to conform with the June 30, 2010 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 reviewed the results of operations for the period of time from June 30, 2010 through October 5, 2010, the date the financial statements are available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure.

# California State Parks Foundation

## Notes to Financial Statements

### o. Recent Accounting Pronouncements

#### *Adopted:*

In June 2009, the Financial Accounting Standards Board (FASB) issued *The FASB Accounting Standards* (Codification). The Codification is the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities effective for financial statements issued for periods ending after September 15, 2009. The Codification does not change accounting principles generally accepted in the United States of America and had no effect on the Foundation's financial position or results of operations.

In April 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 820-10-35, 50, and 55 as an amendment to ASC Topic 820, *Fair Value Measurements and Disclosures*. Among other items it defined major category as related to the disclosure of investments in the fair value hierarchy. The Foundation has adopted the disclosure requirements in the financial statements as of June 30, 2010.

#### *Pronouncements effective in the future:*

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This update provided amendments that require new disclosures of (a) transfers in and out of Levels 1 and 2 to include reasons for the transfers as well and (b) reconciliation for fair value measurements using significant unobservable inputs (Level 3) should be presented separately on a gross basis, rather than as one net number. This update also provided amendments that clarify existing disclosures such as the level of disaggregation for each class of assets and liabilities as well as disclosures about inputs and valuation techniques. The Foundation does not believe that the adoption of this update will have a material impact of 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:

	2010	2009
Contributions receivable	\$ 108,090	\$ 274,317
Grants receivable	1,245,798	559,372
Other accounts receivable	23,049	16,009
<b>Total</b>	<b>\$ 1,376,937</b>	<b>\$ 849,698</b>

# California State Parks Foundation

## Notes to Financial Statements

Contributions receivable as of June 30, 2010 are expected to be received within one year. Grants receivable as of June 30, 2010 are expected to be received as follows: \$1,096,954 within one year and \$148,844 within five years. Management has determined that all amounts are fully collectible and has not recorded an allowance for uncollectible accounts.

### Note 4 - Investments:

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

<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
	<hr/>	
	\$ 6,482,441	\$ 6,314,701

<b>June 30, 2009</b>	Amortized Cost	Fair Value
Cash and cash equivalents	\$ 296,541	\$ 296,542
Stock and other equities	2,933,610	2,391,040
Mutual funds – fixed income	1,024,142	967,400
U.S. Treasury securities	303,155	304,209
Government agency bonds	1,017,992	1,048,536
Corporate bonds	526,811	521,499
	<hr/>	
	\$ 6,102,251	\$ 5,529,226

# California State Parks Foundation

## Notes to Financial Statements

Investment income at June 30, 2010 and 2009 include the following:

	2010	2009
Interest and dividends, net of fees	\$ 229,049	\$ 226,839
Realized (losses) gains	484,124	(1,034,378)
Investment (loss) income	713,173	(807,539)
Unrealized gains	48,653	(375,872)
<b>Total investment gain</b>	<b>\$ 761,826</b>	<b>\$ (1,183,411)</b>

Total investment income or loss includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year June 30, 2010 and 2009 of approximately \$64,479 and \$54,548, 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, 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

# California State Parks Foundation

## Notes to Financial Statements

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		683,485
<b>Total</b>	<b>\$ 4,125,094</b>	<b>\$ 2,365,276</b>	<b>\$ 6,998,176</b>

The table below presents the balances of assets measured at fair value at June 30, 2009 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	\$ 296,542			\$ 296,542
Stock and other equities	2,391,040			2,391,040
Mutual funds – fixed income		\$ 967,400		967,400
U.S. Treasury securities	304,210			304,210
Government agency mortgage-backed bonds		1,048,536		1,048,536
Corporate bonds		521,498		521,498
	2,991,792	2,537,434		5,529,226

Planned gifts:			
Perpetual trust investments:			
Cash and cash equivalents	8,524		8,524
Mutual funds – stocks	76,244		76,244
Mutual funds – bonds	55,760		55,760
Mutual funds – other	21,012		21,012
Pooled income investment:			
Common trust fund		224,657	224,657
Charitable trust receivable – outside trustee		265,692	265,692
	161,540		651,889
<b>Total</b>	<b>\$ 3,153,332</b>	<b>\$ 2,537,434</b>	<b>\$ 6,181,115</b>

# California State Parks Foundation

## Notes to Financial Statements

The following is a rollforward of the Level 3 assets as of June 30, 2010:

	Planned gifts	Total
Fair value at June 30, 2009	\$ 490,349	\$ 490,349
Total realized and unrealized gains	30,533	30,533
Payments to beneficiaries	(13,076)	(13,076)
<hr/>		
Fair value at June 30, 2010	\$ 507,806	\$ 507,806

### *Other financial instruments*

Financial instruments, which are included in the Foundations' Statement of Financial Position as of June 30, 2010 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, 2010 and 2009, consist of the following:

	2010	2009
Furniture and equipment	\$ 389,743	\$ 383,500
Leasehold improvements	812,217	811,594
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	1,201,960	1,195,094
Less accumulated depreciation	(495,293)	(385,609)
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	\$ 706,667	\$ 809,485

# California State Parks Foundation

## Notes to Financial Statements

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### Note 7 - Temporarily Restricted Net Assets:

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

	2010	2009
Planned giving and memorials	\$ 482,889	\$ 418,835
Program services	4,747,055	3,179,258
	<hr/>	<hr/>
	\$ 5,229,944	\$ 3,598,093

Net assets of \$2,611,241 were released during 2010, in accordance with the donors' intent.

### Note 8 - 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.

In 2009, the Foundation implemented FASB ASC Topic 958-205 "Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All 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"), which is applicable to funds established on or after January 1, 2009 and funds established prior to January 1, 2009 only with respect to actions taken after January 1, 2009.

#### *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 \$35,846 and \$97,152 as of June 30, 2010 and 2009, 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, 2010 are as follows:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (35,846)	\$ 103,955	\$ 1,821,081	\$ 1,889,190
Board-designated funds	4,474,778	-	-	4,474,778
<b>Total endowment funds</b>	<b>\$ 4,438,932</b>	<b>\$ 103,955</b>	<b>\$ 1,821,081</b>	<b>\$ 6,363,968</b>

Endowment activity by net asset classification as of June 30, 2010:

Endowment net assets, beginning of year	\$ 3,802,310	\$ 4,627	\$ 1,805,260	\$ 5,612,197
Investment return:				
Income	157,150	62,704	-	219,854
Net depreciation (realized and unrealized)	364,137	143,740	15,821	523,698
<b>Total investment return</b>	<b>521,287</b>	<b>206,444</b>	<b>15,821</b>	<b>743,552</b>
Contributions	454,029	100	-	454,129
Appropriation of endowment assets for expenditure	(400,000)	(45,910)	-	(445,910)
<b>Subtotal before other changes</b>	<b>4,377,626</b>	<b>165,261</b>	<b>1,821,081</b>	<b>6,363,968</b>
Other changes:				
Deficiencies due to investment losses transferred to non board-designated net assets	61,306	(61,306)	-	-
<b>Endowment net assets, end of year</b>	<b>\$ 4,438,932</b>	<b>\$ 103,955</b>	<b>\$ 1,821,081</b>	<b>\$ 6,363,968</b>

**Note 9 - Joint Costs:**

In 2010, the Foundation incurred joint costs of \$3,402,034 for informational materials and activities that included fundraising appeals. Of those costs, \$2,482,744 was allocated to program services and \$919,290 was allocated to fundraising in 2010.

# California State Parks Foundation

## Notes to Financial Statements

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### **Note 10 - 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.

In the years ended June 30, 2010 and 2009, the Foundation matched 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 \$84,308 and \$76,422 during the years ended June 30, 2010 and 2009, respectively.

### **Note 11 - 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 December 2010. The State provides passes to the Foundation at a percentage of their retail price.

The Foundation is currently the project manager on behalf of California Department of Parks and Recreation on a wetlands restoration project on State Parks land. The Foundation has an agreement with a consulting firm in the amount of \$2,100,000 to perform services related to the pre-construction phase of the project. As of June 30, 2010, the Foundation has paid the consulting firm approximately \$2,011,000 for the services provided. Approximately \$174,000 of expense was reflected in the Statement of Activities during the fiscal year 2010 and approximately \$16,000 of accounts payable is reflected in the Statement of Financial Position at June 30, 2010.

The wetlands restoration project is partially funded through a reimbursable grant agreement with the State Coastal Conservancy in the amount of \$4,064,400. As of June 30, 2010, the Foundation has received approximately \$1,123,000 to date for work completed on the project. Approximately \$41,000 of accounts receivable is reflected in the Statement of Financial Position at June 30, 2010.

# California State Parks Foundation

## Notes to Financial Statements

In 2009, the Foundation entered into two separate agreements with Bay Area Rapid Transit (BART) and San Francisco International Airport (the Airport), to accept mitigation funds in the amount of \$1,000,000 and \$4,000,000, respectively, to be used for a wetlands restoration project on State Parks land. The amount of \$1,000,000 from BART was received and recorded as deferred revenue as of June 30, 2009. In 2010, the amount of \$4,000,000 from the Airport was received and recorded as deferred revenue. The Foundation recognized \$770,000 and \$300,000 of these funds as revenue during the year ended June 30, 2010 and 2009, respectively.

In April 2008, the Foundation entered into an operating lease agreement for its new headquarters in San Francisco through April 2018 which requires minimum base lease payments.

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,	
2011	\$ 328,211
2012	316,396
2013	304,204
2014	316,749
2015	329,293
Thereafter	969,063
	<hr/>
	\$ 2,563,916

Rental expense under these agreements for the year ended June 30, 2010 was approximately \$291,000. 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.

### Note 12 - 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.

# California State Parks Foundation

## Notes to Financial Statements

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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.