

CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2009

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, 2009, 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 2008 financial statements and, in our report dated September 21, 2008, 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, 2009, 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.

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October 5, 2009

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California State Parks Foundation

Statement of Financial Position

<i>June 30,</i>	2009	2008
Assets		
Cash and cash equivalents	\$ 4,436,139	\$ 4,312,374
Cash and cash equivalents held on behalf of others	1,113,683	
Contributions, grants and other accounts receivable, net	849,698	949,906
Prepaid expenses and other assets	206,962	141,237
Investments	5,529,226	6,521,583
Planned gifts	651,889	677,307
Property, plant and equipment, net	809,485	905,753
Total assets	\$ 13,597,082	\$ 13,508,160
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 835,913	\$ 1,402,123
Note payable		79,503
Funds held on behalf of others	1,113,683	
Deferred revenue	1,000,000	
Deferred rent	451,602	334,520
Liability to beneficiaries of planned gifts	93,008	56,713
Total liabilities	3,494,206	1,872,859
Net Assets:		
Unrestricted	4,699,527	5,812,558
Temporarily restricted	3,598,093	3,995,907
Permanently restricted	1,805,256	1,826,836
Total net assets	10,102,876	11,635,301
Total liabilities and net assets	\$ 13,597,082	\$ 13,508,160

California State Parks Foundation

Statement of Activities

Year Ended June 30, 2009 (with comparative totals for 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and Support:					
Contributions	\$ 1,637,527	\$ 2,987,886		\$ 4,625,413	\$ 7,355,246
Membership dues	3,870,125			3,870,125	3,653,590
Services to State Parks	125,983			125,983	773,403
Net gain on sale of property	25			25	1,211,005
Donated goods and services	744,719	506		745,225	824,179
Bequests	34,076	125,000		159,076	13,979
Investment income (loss)	(555,082)	(201,484)	\$ (50,973)	(807,539)	358,084
Events	342,019	56,940		398,959	419,427
Other income	157,894	6,326		164,220	113,842
Net assets released from restrictions	3,204,081	(3,204,081)			
Total revenues and support	9,561,367	(228,907)	(50,973)	9,281,487	14,722,755
Expenses:					
Program services	7,657,638			7,657,638	8,905,799
Management and general	1,068,438			1,068,438	916,516
Fundraising	1,673,758			1,673,758	1,593,154
Total expenses	10,399,834			10,399,834	11,415,469
Change in Net Assets from Operations	(838,467)	(228,907)	(50,973)	(1,118,347)	3,307,286
Other Changes:					
Change in value of planned gifts		(38,206)		(38,206)	14,782
Unrealized investment (losses) gains	(274,564)	(130,701)	29,393	(375,872)	(588,806)
Change in Net Assets	(1,113,031)	(397,814)	(21,580)	(1,532,425)	2,733,262
Net Assets - beginning of year	5,812,558	3,995,907	1,826,836	11,635,301	8,902,039
Net Assets - end of year	\$ 4,699,527	\$ 3,598,093	\$ 1,805,256	\$ 10,102,876	\$ 11,635,301

California State Parks Foundation

Statement of Functional Expenses

Year Ended June 30, 2009 (with comparative totals for 2008)

	2009				2008 Total
	Program Services	General and Administrative	Fund Raising	Total	
Personnel Costs:					
Salaries	\$ 794,021	\$ 554,116	\$ 284,969	\$ 1,633,106	\$ 1,484,051
Payroll taxes	59,692	41,665	21,440	122,797	113,520
Employee benefits	121,524	84,825	43,650	249,999	239,295
Total personnel costs	975,237	680,606	350,059	2,005,902	1,836,866
Expenses:					
Direct grants	1,116,123			1,116,123	2,444,526
Park policy and advocacy	1,307,530			1,307,530	1,893,043
Membership	1,610,782		320,249	1,931,031	1,827,089
Postage and delivery	367,244	5,673	204,775	577,692	574,172
Printing	343,743	76	197,658	541,477	568,171
Consulting	692,292	58,260	186,521	937,073	550,517
Events	356,380		198,509	554,889	462,261
Marketing Services for State Parks	71,585			71,585	298,520
Public education and promotion	192,570		35,521	228,091	281,870
Rent and relocation	196,855	137,405	70,708	404,968	108,910
Office supplies and expenses	31,027	15,837	8,149	55,013	100,980
Legal and professional fees	20,810	49,017	4,676	74,503	79,727
Communications	176,203	6,784	20,597	203,584	63,891
Travel	41,293	15,518	7,985	64,796	59,102
Computer expenses	31,233	20,407	10,501	62,141	57,639
Telephone	31,447	19,139	9,849	60,435	56,034
Depreciation	57,949	40,449	20,814	119,212	39,302
Insurance	9,379	5,098	2,623	17,100	29,415
Meetings and conferences	18,321	9,535	4,907	32,763	19,116
Repairs and maintenance	5,160	3,602	1,853	10,615	18,739
Development			17,451	17,451	10,601
Training	666	465	239	1,370	963
Recruiting		345		345	250
Miscellaneous	3,809	222	114	4,145	33,765
Total	\$ 7,657,638	\$ 1,068,438	\$ 1,673,758	\$ 10,399,834	\$ 11,415,469

California State Parks Foundation

Statement of Cash Flows

<i>Year Ended June 30,</i>	2009	2008
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,532,425)	\$ 2,733,262
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of building		(1,326,728)
(Gain) loss on disposal of property	(25)	4,149
Net unrealized/realized loss on investments	1,440,321	535,004
Planned gifts	61,713	12,946
Depreciation and amortization	119,213	39,302
Changes in operating assets and liabilities:		
Contributions, grants and other accounts receivable	100,208	(564,809)
Prepaid expenses and other assets	(65,725)	(74,148)
Deferred rent	117,082	334,520
Accounts payable and accrued expenses	(566,210)	948,917
Deferred revenue	1,000,000	
Funds held on behalf of others	1,113,683	
Net cash provided by operating activities	1,787,835	2,642,415
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(22,945)	(896,789)
Proceeds from sale of property	25	1,800,000
Purchases of investments	(4,297,166)	(8,458,653)
Proceeds from sale of investments	3,849,202	6,856,202
Net cash used by investing activities	(470,884)	(699,240)
Cash Flows from Financing Activities:		
Advances from line of credit		824,735
Repayments on line of credit	(79,503)	(745,232)
Net cash (used) provided by financing activities	(79,503)	79,503
Net Increase in Cash and Equivalents	1,237,448	2,022,678
Cash and Equivalents - Beginning of year	4,312,374	2,289,696
Cash and Equivalents - End of year	\$ 5,549,822	\$ 4,312,374

California State Parks Foundation

Notes to Financial Statements

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 100,000 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 \$3,899,462 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

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, 2009, the Foundation recorded in-kind donations of \$745,225 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, 2009.

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 2009, the Foundation received and recorded \$1,113,683 in cash held on behalf of others.

California State Parks Foundation

Notes to Financial Statements

e. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. 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 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 (\$93,008 at June 30, 2009) 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.

California State Parks Foundation

Notes to Financial Statements

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 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.

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. 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, 2008 from which the summarized information was derived.

California State Parks Foundation

Notes to Financial Statements

l. Reclassification

Certain items as reported for the June 30, 2008 financial statements have been reclassified to conform with the June 30, 2009 financial statement presentation. Such reclassification had no effect on the financial position or statement of activities and changes in net assets.

m. Recent Accounting Pronouncements

FIN No. 48, Accounting for Uncertainty in Income Taxes- In June 2006, the FASB issued FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes” – an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity’s uncertain tax position.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected this deferral and accordingly will be required to adopt FIN 48 in its 2010 annual financial statements. Prior to adoption of FIN 48, the Foundation will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, Accounting for Contingencies. SFAS No. 5 requires the Foundation to accrue for losses it believes are probable and can be reasonably estimated. Management does not anticipate that the adoption of FIN 48 will have a material impact on its financial position or results of operations.

Note 3 - Contributions, Grants and Other Accounts Receivable:

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

	2009	2008
Contributions receivable	\$ 274,317	\$ 61,557
Grants receivable	559,372	440,484
Tenant improvement allowance		334,520
Other accounts receivable	16,009	113,345
Total	\$ 849,698	\$ 949,906

Contributions receivable as of June 30, 2009 are expected to be received within one year. Grants receivable as of June 30, 2009 are expected to be received as follows: \$507,386 within one year and \$51,986 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:

June 30, 2009	Amortized Cost	Fair Value
Stock and other equities	\$ 2,933,610	\$ 2,391,040
US Treasury securities	303,155	304,210
Fixed income securities	2,568,945	2,537,434
Cash and cash equivalents	296,541	296,542
	\$ 6,102,251	\$ 5,529,226

June 30, 2008	Amortized Cost	Fair Value
Stock and other equities	\$ 3,929,372	\$ 3,541,644
US Treasury securities	2,731,039	2,745,356
Cash and cash equivalents	234,583	234,583
	\$ 6,894,994	\$ 6,521,583

Investment income at June 30, 2009 and 2008 include the following:

	2009	2008
Interest and dividends, net of fees	\$ 226,839	\$ 346,143
Realized (losses) gains	(1,034,378)	11,941
	Investment (loss) income (807,539)	358,084
Unrealized losses	(375,872)	(588,806)
	Total investment loss \$ (1,183,411)	\$ (230,722)

Total investment income or loss includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year June 30, 2009 and 2008 of approximately \$54,548 and \$75,400, respectively, are reflected in the Statement of Activities as investment income, net of investment earnings.

Note 5 - Fair Value Measurements:

Effective July 1, 2008, the Foundation adopted Statement No. 157, *Fair Value Measurements*, (FAS 157) which provides a framework for measuring fair value under generally accepted accounting principles. FAS 157 applies to all financial instruments that are being measured and reported on a fair value basis. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also established a fair value hierarchy with three levels of inputs that may be used to measure fair value. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

California State Parks Foundation

Notes to Financial Statements

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):				
Stock and other equities	\$ 2,391,040			\$ 2,391,040
U.S. Treasury securities	304,210			304,210
Fixed Income		\$ 2,537,434		2,537,434
Cash and cash equivalents	296,542			296,542
Planned gifts (held by the Foundation):				
Perpetual trust investments	161,531			161,531
Pooled income fund			\$ 224,657	224,657
Total	\$ 3,153,323	\$ 2,537,434	\$ 224,657	\$ 5,915,414

The following is a rollforward of the Level 3 assets:

	Pooled Income Fund	Total
Fair value at June 30, 2008	\$ 227,083	\$ 227,083
Total realized and unrealized gains	10,787	10,787
Payments to beneficiaries	(13,213)	(13,213)
Fair value at June 30, 2009	\$ 224,657	\$ 224,657

Other financial instruments

Financial instruments, which are included in the Foundations' Statement of Financial Position as of June 30, 2009 but not required to be measured at fair value, consist of cash equivalents, contribution receivables, grant and other receivables, and a planned gift receivable. Their carrying amounts represent a reasonable estimate of the corresponding fair values.

California State Parks Foundation

Notes to Financial Statements

Note 6 - Property, Plant and Equipment:

Property, plant and equipment at June 30, 2009 and 2008, consist of the following:

	2009	2008
Furniture and equipment	\$ 383,500	\$ 376,816
Leasehold improvements	811,594	798,306
	<hr/>	<hr/>
	1,195,094	1,175,122
Less accumulated depreciation	(385,609)	(269,369)
	<hr/>	<hr/>
	\$ 809,485	\$ 905,753

Note 7 - Note Payable:

The Foundation entered into a line of credit agreement in June 2006 with a financial institution to provide working capital for a major facilities project with State Parks. The line provides up to \$1,000,000 at a variable interest rate of prime plus .5%. The line of credit was paid off in October 2008 and the agreement expired in April 2009.

Note 8 - Temporarily Restricted Net Assets:

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

	2009	2008
Planned giving and memorials	\$ 418,835	\$ 530,778
Program services	3,179,258	3,465,129
	<hr/>	<hr/>
	\$ 3,598,093	\$ 3,995,907

Net assets of \$3,204,081 were released during 2009, 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.

In 2009, the Foundation implemented FSP FAS 117-1 "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" which was effective for fiscal years ending after December 15, 2008. The state of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its 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.

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 \$97,152 and \$24,182 as of June 30, 2009 and 2008, respectively.

California State Parks Foundation

Notes to Financial Statements

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, 2009 are as follows:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (97,152)	\$ 4,627	\$ 1,805,256	\$ 1,712,731
Board-designated funds	3,899,462			3,899,462
Total endowment funds	\$ 3,802,310	\$ 4,627	\$ 1,805,256	\$ 5,612,193

Endowment activity by net asset classification as of June 30, 2009:

Endowment net assets, beginning of year	\$ 4,576,710	\$ 348,597	\$ 1,826,836	\$ 6,752,143
Investment return:				
Income	171,391	75,700		247,091
Net depreciation (realized and unrealized)	(1,008,778)	(434,392)	(21,580)	(1,464,750)
Total investment return	(837,387)	(358,692)	(21,580)	(1,217,659)
Contributions		1,100		1,100
Appropriation of endowment assets for expenditure	(134,645)	(59,348)		(193,993)
Subtotal before other changes	3,604,678	(68,343)	1,805,256	5,341,591
Other changes:				
Transfers to board- designated funds	270,602			270,602
Deficiencies due to investment losses transferred to non board-designated net assets	(72,970)	72,970		
Endowment net assets, end of year	\$ 3,802,310	\$ 4,627	\$ 1,805,256	\$ 5,612,193

California State Parks Foundation

Notes to Financial Statements

Note 10 - Joint Costs:

In 2009, the Foundation incurred joint costs of \$3,011,969 for informational materials and activities that included fundraising appeals. Of those costs, \$2,134,374 was allocated to program services and \$877,595 was allocated to fundraising in 2009.

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.

In the years ended June 30, 2009 and 2008, 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 at a rate of 40% commencing in the second year and increase 20% per year thereafter. The Foundation made matching contributions of \$76,422 and \$73,700 during the years ended June 30, 2009 and 2008, 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 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 project. As of June 30, 2009, the Foundation has paid the consulting firm approximately \$1,200,000 for the services provided. Approximately \$239,000 of expense was reflected in the Statement of Activities during the fiscal year 2009 and approximately \$84,000 of accounts payable is reflected in the Statement of Financial Position at June 30, 2009.

California State Parks Foundation

Notes to Financial Statements

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, 2009, the Foundation has received approximately \$1,114,000 to date for work completed on the project. Approximately \$71,000 of income was reflected in the Statement of Activities during the fiscal year 2009 and approximately \$51,000 of accounts receivable is reflected in the Statement of Financial Position at June 30, 2009.

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. The amount of \$4,000,000 from the Airport was received subsequent to the year ended June 30, 2009.

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,	
2010	\$ 314,194
2011	328,211
2012	316,396
2013	304,204
2014	316,749
Thereafter	1,298,356
	<hr/>
	\$ 2,878,110

Rental expense under these agreements for the year ended June 30, 2009 was approximately \$375,000. 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.

California State Parks Foundation

Notes to Financial Statements

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. Amounts over the federally insured limits are approximately \$457,099 for cash deposits and \$4,684,000 for money market funds at June 30, 2009.

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.

Note 14 - Subsequent Events:

The Foundation has reviewed the results of operations for the period of time from its fiscal year ended June 30, 2009 through the date of the independent auditors' report and has 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.