

CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2013

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

California State Parks Foundation

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1 - 2
-------------------------------------	-------

Financial Statements

Statement of Financial Position	3
---------------------------------	---

Statement of Activities	4
-------------------------	---

Statement of Functional Expenses	5
----------------------------------	---

Statement of Cash Flows	6
-------------------------	---

Notes to Financial Statements	7 - 22
-------------------------------	--------

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of **CALIFORNIA STATE PARKS FOUNDATION (the Foundation)** which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Consultants and

Business Advisors

100 First Street

14th Floor

San Francisco

CA 94105

415.781.0793

fax 415.421.2976

60 S. Market Street

Suite 200

San Jose

CA 95113

408.998.8400

fax 408.998.8485



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, 2013, and the results of its activities and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
September 30, 2013

California State Parks Foundation

Statement of Financial Position

<i>June 30, 2013 (with comparative totals for 2012)</i>	2013	2012
Assets		
Cash and cash equivalents	\$ 9,178,423	\$ 10,405,081
Cash and cash equivalents held on behalf of others	1,124,215	1,121,725
Contributions, grants and other receivables	1,122,858	3,001,822
Note receivable	883,263	
Prepaid expenses and other assets	242,795	219,345
Investments	8,644,432	7,221,079
Planned gifts	544,280	699,566
Property, plant and equipment, net	486,028	558,167
Total assets	\$ 22,226,294	\$ 23,226,785
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,032,975	\$ 1,653,669
Funds held on behalf of others	1,124,215	1,121,725
Deferred revenue	1,956,097	1,954,022
Deferred rent	368,041	410,270
Liability to beneficiaries of planned gifts	43,320	42,017
Total liabilities	5,524,648	5,181,703
Net Assets:		
Unrestricted	7,404,778	8,598,699
Temporarily restricted	6,294,900	7,453,588
Permanently restricted	3,001,968	1,992,795
Total net assets	16,701,646	18,045,082
Total liabilities and net assets	\$ 22,226,294	\$ 23,226,785

The accompanying notes are an integral part of this statement.

California State Parks Foundation

Statement of Activities

Year Ended June 30, 2013 (with comparative totals for 2012)

	2013				2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenue and Support:					
Contributions	\$ 2,175,843	\$ 2,893,452	\$ 1,000,000	\$ 6,069,295	\$ 9,657,509
Membership dues	5,194,219			5,194,219	5,984,331
Grants and project funding for State Parks				-	6,058,614
Donated goods and services	1,367,825			1,367,825	1,134,422
Bequests	66,885			66,885	460,278
Investment income, net	445,135	220,595	2,515	668,245	388,806
Events	358,603			358,603	152,117
Other income	210,754	262,980		473,734	249,212
Net assets released from restrictions	4,542,960	(4,542,960)			
Total revenues and support	14,362,224	(1,165,933)	1,002,515	14,198,806	24,085,289
Expenses:					
Program services	10,552,249			10,552,249	14,748,863
Management and general	1,781,047			1,781,047	1,471,996
Fundraising	3,269,315			3,269,315	2,424,211
Total expenses	15,602,611			15,602,611	18,645,070
Change in Net Assets from Operations	(1,240,387)	(1,165,933)	1,002,515	(1,403,805)	5,440,219
Other Changes:					
Change in value of planned gifts		(9,678)		(9,678)	19,817
Unrealized investment gains (loss)	46,466	16,923	6,658	70,047	(287,143)
Change in Net Assets	(1,193,921)	(1,158,688)	1,009,173	(1,343,436)	5,172,893
Net Assets - beginning of year	8,598,699	7,453,588	1,992,795	18,045,082	12,872,189
Net Assets - end of year	\$ 7,404,778	\$ 6,294,900	\$ 3,001,968	\$ 16,701,646	\$ 18,045,082

The accompanying notes are an integral part of this statement.

California State Parks Foundation

Statement of Functional Expenses

Year Ended June 30, 2013 (with comparative totals for 2012)

	2013				2012 Total
	Program Services	Management and General	Fund- raising	Total	
Personnel Costs:					
Salaries	\$ 1,048,035	\$ 1,047,122	\$ 744,318	\$ 2,839,475	\$ 2,265,823
Payroll taxes	74,514	74,449	52,920	201,883	158,873
Employee benefits	161,652	161,512	114,806	437,970	336,976
Total personnel costs	1,284,201	1,283,083	912,044	3,479,328	2,761,672
Expenses:					
Direct grants	1,989,808			1,989,808	6,717,109
Park policy and advocacy	514,255			514,255	410,109
Membership	2,393,009		292,868	2,685,877	2,327,397
Direct project expense	538,298			538,298	307,259
Postage and delivery	475,469	9,867	310,956	796,292	821,737
Printing	530,866	3,892	390,922	925,680	838,028
Consulting	1,626,493	84,069	712,969	2,423,531	2,557,534
E-Commerce	1,247	260	1,218	2,725	18,716
Events	83,040	2,640	163,398	249,078	246,287
Marketing services for State Parks	181,937			181,937	175,002
Public education and promotion	195,828	12,322	8,758	216,908	184,223
Rent and relocation	131,961	131,838	93,714	357,513	364,629
Office supplies and expenses	27,239	23,841	21,130	72,210	93,731
Legal and professional fees	109,192	68,241	4,606	182,039	54,441
Communications	184,357	3,538	9,821	197,716	200,122
Travel	73,575	22,586	21,784	117,945	99,802
Computer expenses	88,094	25,788	75,115	188,997	165,338
Telephone	27,233	24,549	17,450	69,232	66,857
Depreciation	45,297	45,258	32,170	122,725	112,546
Insurance	14,583	9,131	6,490	30,204	28,017
Meetings and conferences	14,459	12,146	8,932	35,537	22,510
Repairs and maintenance	12,671	11,097	7,888	31,656	12,961
Development			170,460	170,460	44,713
Training	1,275	1,274	979	3,528	367
Recruiting	4,738	4,683	3,379	12,800	10,291
Miscellaneous	3,124	944	2,264	6,332	3,672
Total	\$ 10,552,249	\$ 1,781,047	\$ 3,269,315	\$ 15,602,611	\$ 18,645,070

The accompanying notes are an integral part of this statement.

California State Parks Foundation

Statement of Cash Flows

<i>Year Ended June 30, 2013 (with comparative totals for 2012)</i>	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,343,436)	\$ 5,172,893
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net unrealized/realized (gain) loss on investments	(532,368)	62,999
Contribution restricted for long-term investments	(1,000,000)	
Depreciation and amortization	122,725	112,546
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	975,701	(1,974,712)
Planned gifts and liability to beneficiaries	156,589	(8,033)
Prepaid expenses and other assets	(23,450)	15,647
Accounts payable and accrued expenses	379,306	1,041,804
Deferred revenue	2,075	(2,040,398)
Deferred rent	(42,229)	(22,515)
Funds held on behalf of others	2,490	7,885
Net cash (used) provided by operating activities	(1,302,597)	2,368,116
Cash Flows from Investing Activities:		
Purchases of investments	(3,597,502)	(3,357,025)
Proceeds from sale of investments	2,706,517	3,183,658
Purchases of property, plant and equipment	(50,586)	(52,192)
Payments received on note receivable	20,000	
Net cash used by investing activities	(921,571)	(225,559)
Cash Flows from Financing Activities:		
Contribution restricted for long-term investments	1,000,000	
Net cash provided by financing activities	1,000,000	-
Net Change in Cash and Cash Equivalents	(1,224,168)	2,142,557
Cash and Cash Equivalents - Beginning of year	11,526,806	9,384,249
Cash and Cash Equivalents - End of year	\$ 10,302,638	\$ 11,526,806

Non-Cash Transactions:

Contributions receivable converted to note receivable \$ 903,263

The accompanying notes are an integral part of this statement.

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 130,000 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's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP) applicable to not-for-profit organizations. The Foundation's financial statements include three categories of net assets as follows:

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 \$5,257,911 as a quasi-endowment fund for the long-term investment and future needs of the Foundation. (See Note 10.)

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 the 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 earns unrestricted project revenue which includes grant reimbursements and mitigation funding for State Parks projects. Project revenue is reported when earned based upon the contract terms.

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, 2013, the Foundation recorded in-kind donations of \$1,367,825 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, 2013.

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 2013, the Foundation held \$1,124,215 in cash on behalf of others.

California State Parks Foundation

Notes to Financial Statements

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. 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 3-10 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 (\$43,320 at June 30, 2013) 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

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. During the year ended June 30, 2013, the Foundation received a distribution from the trust in the amount of \$155,947. The remainder of the trust is expected to be distributed within the next twelve months.

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 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 Internal Revenue Code Section 509(a)(1) under Section 501(c)(3) and related California code sections. The Foundation may be subject to tax on unrelated business income. Estimated unrelated business income tax amounted to approximately \$62,600 for the year ended June 30, 2013.

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. The Foundation continues to remain subject to examination by U.S. federal authorities for the tax years 2009 through 2012 and by California state authorities for the tax years 2008 through 2012.

California State Parks Foundation

Notes to Financial Statements

j. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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

Fair value is defined 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.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

m. Subsequent Events

The Foundation has evaluated subsequent events through September 30, 2013, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

California State Parks Foundation

Notes to Financial Statements

n. Recent Accounting Pronouncements

Adopted:

In May 2011, the 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 Foundation has implemented this update as of June 30, 2013.

Pronouncement effective in the future:

In October 2012, the FASB issued Accounting Standards Update No. 2012-05 – Statement of Cash Flows (Topic 230) *Not-for-Profit Entities – Classifications of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The update requires a not-for-profit entity to classify sale proceeds of donated financial assets consistent with cash donations as an operating activity, if such assets were converted nearly immediately into cash, unless the donor restricted the use of the proceeds to long-term purposes, in which case those cash receipts should be classified as a financing activity. If those assets were not immediately converted to cash, the proceeds upon sale should be classified as an investing activity. This guidance is effective prospectively for annual periods, beginning after June 15, 2013. The Foundation is currently evaluating the effect of adoption on its financial statements.

Note 3 - Contributions, Grants and Other Receivables:

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

	2013	2012
Contributions receivable	\$ 235,390	\$ 1,035,904
Grants receivable	599,529	1,867,233
Other receivables	287,939	98,685
Total	\$ 1,122,858	\$ 3,001,822

At June 30, 2013 all receivables are expected to be received within one year. A discount to the present value of the long-term receivables was not considered significant to the financial statements. Furthermore, 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 - Note Receivable:

The Foundation has certain corporate sponsorship arrangements with a marketing agent to raise public funds for the California state parks system. In April 2013, an amount of \$903,263 collected by the agent, and due to the Foundation, was converted into a secured note receivable, payable in scheduled monthly installments and maturing on December 31, 2017. The note bears an interest of 5% per annum. The outstanding note receivable was \$883,263 at June 30, 2013.

Principal receipts are scheduled as follows:

Year Ending June 30,	
2014	\$ 151,886
2015	190,815
2016	200,832
2017	211,361
2018	128,369
	<hr/>
	\$ 883,263

At June 30, 2013, the Foundation has accrued as grant expenditures, the amount outstanding on the note receivable, in accounts payable on the Statement of Financial Position.

Note 5 - Investments:

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

June 30, 2013	Amortized Cost	Fair Value
Cash and cash equivalents	\$ 573,756	\$ 573,756
Stock and other equities	1,886,107	2,354,169
Exchange traded funds – equities	2,165,468	2,511,760
Mutual funds – fixed income	1,080,778	1,145,230
U.S. Treasury securities	981,649	923,874
Government agency bonds	639,567	629,018
Corporate bonds	485,038	506,625
	<hr/>	
	\$ 7,812,363	\$ 8,644,432

California State Parks Foundation

Notes to Financial Statements

June 30, 2012	Amortized Cost	Fair Value
Cash and cash equivalents	\$ 481,075	\$ 481,075
Stock and other equities	1,883,974	2,090,854
Exchange traded funds – equities	1,252,217	1,353,972
Mutual funds – fixed income	1,198,153	1,298,577
U.S. Treasury securities	498,521	503,249
Government agency bonds	900,017	930,350
Corporate bonds	526,811	563,002
	<hr/>	<hr/>
	\$ 6,740,768	\$ 7,221,079

Investment income at June 30, 2013 and 2012 include the following:

	2013	2012
Interest and dividends, net of fees	\$ 205,924	\$ 164,662
Realized gains	462,321	224,144
	<hr/>	<hr/>
Investment income	668,245	388,806
Unrealized gains (losses)	70,047	(287,143)
	<hr/>	<hr/>
Total investment gain	\$ 738,292	\$ 101,663

Total investment income includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal years ended June 30, 2013 and 2012 of \$65,684 and \$57,900, respectively, are netted against interest and dividends above.

California State Parks Foundation

Notes to Financial Statements

Note 6 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value at June 30, 2013 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments (see Note 5):				
Cash and cash equivalents	\$ 573,756			\$ 573,756
Stock and other equities	2,354,169			2,354,169
Exchange traded funds-equities	2,511,760			2,511,760
Mutual funds – fixed income		\$ 1,145,230		1,145,230
U.S. Treasury securities	923,874			923,874
Government agency mortgage-backed bonds		629,018		629,018
Corporate bonds		506,625		506,625
	6,363,559	2,280,873		8,644,432
Planned gifts:				
Perpetual trust investments:				
Cash and cash equivalents	4,141			4,141
Mutual funds – stocks	107,726			107,726
Mutual funds – bonds	35,462			35,462
Mutual funds – other	45,865			45,865
Pooled income investment:				
Cash and cash equivalents	2,431			2,431
Common trust fund			\$ 238,911	238,911
Charitable trust receivable – outside trustee			109,744	109,744
	195,625		348,655	544,280
Total	\$6,559,184	\$2,280,873	\$ 348,655	\$9,188,712

California State Parks Foundation

Notes to Financial Statements

The table below presents the balances of assets measured at fair value at June 30, 2012 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments (see Note 5):				
Cash and cash equivalents	\$ 481,075			\$ 481,075
Stock and other equities	2,090,854			2,090,854
Exchange traded funds-equities	1,353,972			1,353,972
Mutual funds – fixed income		\$ 1,298,577		1,298,577
U.S. Treasury securities	503,249			503,249
Government agency mortgage-backed bonds		930,350		930,350
Corporate bonds		563,002		563,002
	4,429,150	2,791,929		7,221,079
Planned gifts:				
Perpetual trust investments:				
Cash and cash equivalents	8,715			8,715
Mutual funds – stocks	93,074			93,074
Mutual funds – bonds	44,630			44,630
Mutual funds – other	41,103			41,103
Pooled income investment:				
Common trust fund			\$ 246,352	246,352
Charitable trust receivable – outside trustee			265,692	265,692
	187,522		512,044	699,566
Total	\$4,616,672	\$2,791,929	\$ 512,044	\$7,920,645

The following is a schedule of Level 3 asset activity for the year ended June 30, 2013:

Fair value at June 30, 2012	\$	512,044
Net realized and unrealized gains		11,197
Payments to beneficiaries		(174,586)
Fair value at June 30, 2013	\$	348,655

California State Parks Foundation

Notes to Financial Statements

Other financial instruments

Financial instruments, which are included in the Statement of Financial Position as of June 30, 2013 but not required to be measured at fair value, consist of cash equivalents, contribution receivables, grant and other receivables, note receivable 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 7 - Property, Plant and Equipment:

Property, plant and equipment at June 30, 2013 and 2012, consist of the following:

	2013	2012
Furniture and equipment	\$ 362,206	\$ 321,718
Leasehold improvements	817,923	815,073
	<hr/>	<hr/>
	1,180,129	1,136,791
Less accumulated depreciation	(694,101)	(578,624)
	<hr/>	<hr/>
	\$ 486,028	\$ 558,167

Note 8 - 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 agreement was subsequently extended to January 2014. The Foundation has not drawn on the line of credit as of June 30, 2013.

California State Parks Foundation

Notes to Financial Statements

Note 9 - Temporarily Restricted Net Assets:

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

	2013	2012
Planned giving and memorials	\$ 307,766	\$ 474,942
Capital campaign	1,076,636	1,625,280
Unappropriated endowment income	487,625	355,206
Program services	4,422,873	4,998,160
	<hr/>	<hr/>
	\$ 6,294,900	\$ 7,453,588

Net assets of \$4,592,960 were released during 2013 in accordance with the donors' intentions.

Note 10 - 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.

Interpretation of Relevant Law

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). The Board of Trustees of the Foundation has interpreted 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

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, and (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. There was no deficiency of this nature as of June 30, 2013.

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 Foundation 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 Foundation'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, 2013 are as follows:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 487,625	\$ 3,001,968	\$ 3,489,593
Board-designated funds	5,257,911			5,257,911
Total endowment funds	\$ 5,297,911	\$ 487,625	\$ 3,001,968	\$ 8,747,504

Endowment activity by net asset classification for the year ended June 30, 2013 is as follows:

Endowment net assets, beginning of year	\$ 4,938,037	\$ 355,206	\$ 1,992,795	\$ 7,286,038
Investment return:				
Income	126,812	82,112	2,515	211,439
Net realized and unrealized gain	344,208	170,569	6,658	521,435
Total investment return	471,020	252,681	9,173	732,874
Transfers	334,841			334,841
Contributions			1,000,000	1,000,000
Appropriation for expenditure	(485,987)	(120,262)		(606,249)
Endowment net assets, end of year	\$ 5,257,911	\$ 487,625	\$ 3,001,968	\$ 8,747,504

Note 11 - Joint Costs:

In 2013, the Foundation incurred joint costs of \$3,102,063 for informational materials and activities that included fundraising appeals. Of those costs, \$1,879,198 was allocated to program services and \$1,223,265 was allocated to fundraising in 2013.

California State Parks Foundation

Notes to Financial Statements

Note 12 - 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 \$120,015 and \$95,956 during the years ended June 30, 2013 and 2012, respectively.

Note 13 - Commitments and Contingencies:

The Foundation currently has an agreement with California Department of Parks and Recreation (CDPR) 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 and CDPR are jointly working on a multi-year wetlands restoration project on State Parks land. The project consisted of two phases. Phase 1 was substantially completed as of June 30, 2012, which cost approximately \$12 million. Phase 2 is in process and will cost approximately \$8 million to \$10 million to complete. The project is funded by various sources including mitigation funds, grants and contributions received by the Foundation. At June 30, 2013, approximately \$1,851,000 included in deferred revenue on the Statement of Financial Position relates to the wetlands restoration project.

Operating Leases

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.

California State Parks Foundation

Notes to Financial Statements

The future minimum lease payments under the lease agreements for the offices in San Francisco, Los Angeles and Sacramento are as follows:

Year Ending June 30,	
2014	\$ 384,400
2015	402,300
2016	417,200
2017	435,700
2018	276,100
	<hr/>
	\$ 1,915,700

Rental expense under these agreements for the year ended June 30, 2013 was approximately \$358,000. In 2008, the Foundation received an allowance for tenant improvements from the landlord of its headquarters office 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 are recognized over the life of the lease.

Note 14 - 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. Management evaluates the collectability of receivables on a regular basis and establishes a reserve, if needed.