

CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2015

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

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, 2015, 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.

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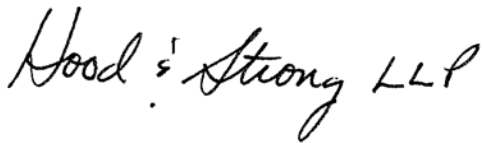


Opinion

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, 2015, and the 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in cursive script that reads "Hood & Strong LLP".

San Francisco, California
February 2, 2016

California State Parks Foundation

Statement of Financial Position

<i>June 30, 2015 (with comparative totals for 2014)</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 7,500,316	\$ 8,288,109
Cash and cash equivalents held on behalf of others	1,050,749	1,099,688
Contributions, grants, and other receivables, net	1,127,531	354,800
Note receivable		717,246
Inventory	666,126	
Prepaid expenses and other assets	333,973	313,855
Investments	9,062,253	9,876,712
Planned gifts	114,201	117,859
Property, plant, and equipment, net	308,539	402,694
Total assets	\$ 20,163,688	\$ 21,170,963
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,257,895	\$ 1,611,515
Funds held on behalf of others	1,050,749	1,099,688
Line of credit	590,000	178,000
Deferred revenue	1,156,134	1,201,225
Deferred rent	252,301	318,588
Liability to beneficiaries of planned gifts	16,123	17,701
Total liabilities	4,323,202	4,426,717
Net Assets:		
Unrestricted	6,674,228	7,420,732
Temporarily restricted	6,257,484	6,414,740
Permanently restricted	2,908,774	2,908,774
Total net assets	15,840,486	16,744,246
Total liabilities and net assets	\$ 20,163,688	\$ 21,170,963

See accompanying notes to financial statements.

California State Parks Foundation

Statement of Activities

Year Ended June 30, 2015 (with comparative totals for 2014)

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and Support:					
Contributions	\$ 1,575,481	\$ 2,364,430		\$ 3,939,911	\$ 4,120,472
Membership dues	4,124,899			4,124,899	5,269,909
Grants and project funding for State Parks					709,331
Donated goods and services	718,828			718,828	1,079,562
Bequests	385,322	20,066		405,388	229,400
Investment income, net	800,265	500,624		1,300,889	752,563
Events	419,501	6,621		426,122	17,512
Other income	107,503	20,039		127,542	134,952
Net assets released from restrictions	2,631,389	(2,631,389)			
Total revenues and support	10,763,188	280,391		11,043,579	12,313,701
Expenses:					
Program services	7,349,670			7,349,670	8,870,697
Management and general	1,014,034			1,014,034	1,461,065
Fundraising	2,371,815			2,371,815	2,521,307
Total expenses	10,735,519			10,735,519	12,853,069
Change in Net Assets from Operations	27,669	280,391		308,060	(539,368)
Other Changes:					
Change in value of planned gifts		74,948		74,948	29,245
Unrealized investment (loss) gains	(774,173)	(512,595)		(1,286,768)	552,723
Change in Net Assets	(746,504)	(157,256)		(903,760)	42,600
Net Assets - Beginning of year	7,420,732	6,414,740	\$ 2,908,774	16,744,246	16,701,646
Net Assets - End of year	\$ 6,674,228	\$ 6,257,484	\$ 2,908,774	\$ 15,840,486	\$ 16,744,246

See accompanying notes to financial statements.

California State Parks Foundation

Statement of Functional Expenses

Year Ended June 30, 2015 (with comparative totals for 2014)

	2015				2014 Total
	Program Services	Management and General	Fund- raising	Total	
Personnel Costs:					
Salaries	\$ 1,080,501	\$ 482,907	\$ 655,105	\$ 2,218,513	\$ 2,270,597
Payroll taxes	79,475	33,662	47,821	160,958	165,875
Employee benefits	191,501	80,258	114,400	386,159	434,356
Total personnel costs	1,351,477	596,827	817,326	2,765,630	2,870,828
Expenses:					
Direct grants	879,822			879,822	980,687
Park policy and advocacy	55,955			55,955	361,182
Membership	2,327,703		637,427	2,965,130	4,384,047
Direct project expense	291,652		642	292,294	260,177
Postage and delivery	57,496	5,670	21,823	84,989	29,519
Printing	137,740	672	61,155	199,567	150,642
Consulting	838,358	34,515	104,417	977,290	1,492,047
E-Commerce	27,636		291	27,927	4,411
Events	133,497	11,190	277,499	422,186	120,463
Forgiveness of debt	426,305			426,305	
Public education and promotion	72,061	41	27,336	99,438	169,511
Rent and relocation	190,096	78,393	111,731	380,220	365,846
Office supplies and expenses	106,161	29,474	77,136	212,771	210,921
Legal and professional fees	81,101	87,835	3,959	172,895	51,626
Communications	8,091		5,041	13,132	7,632
Travel	43,495	35,323	15,558	94,376	94,377
Computer expenses	188,371	74,394	111,904	374,669	379,058
Telephone	43,686	15,914	24,231	83,831	69,275
Depreciation	55,413	22,852	32,570	110,835	109,210
Insurance	9,534	11,593	3,902	25,029	32,903
Meetings and conferences	3,375	1,139	2,355	6,869	15,950
Repairs and maintenance	14,813	5,235	7,462	27,510	23,960
Training	2,906	473	3,747	7,126	1,258
Recruiting	1,453	1,490	23,218	26,161	305
Wetlands Mitigation Credits					660,000
Miscellaneous	1,473	1,004	1,085	3,562	7,234
Total	\$ 7,349,670	\$ 1,014,034	\$ 2,371,815	\$ 10,735,519	\$ 12,853,069

See accompanying notes to financial statements.

California State Parks Foundation

Statement of Cash Flows

<i>Year Ended June 30, 2015 (with comparative totals for 2014)</i>	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	\$ (903,758)	\$ 42,600
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized/realized loss (gain) on investments	229,459	(1,077,314)
Bad debt expense	426,305	
Contribution restricted for long-term investments		(100,000)
Depreciation and amortization	110,835	109,210
Discount on pledges receivable	20,988	
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	(793,720)	768,057
Inventory	(666,126)	
Planned gifts and liability to beneficiaries	2,080	400,802
Prepaid expenses and other assets	(20,118)	(71,060)
Accounts payable and accrued expenses	(353,621)	(421,460)
Deferred revenue	(45,091)	(754,872)
Deferred rent	(66,287)	(49,453)
Funds held on behalf of others	(48,939)	(24,527)
Net cash used in operating activities	(2,107,993)	(1,178,017)
Cash Flows from Investing Activities:		
Purchases of investments	(7,550,140)	(2,374,051)
Proceeds from sale of investments	8,135,140	2,219,085
Purchases of property, plant and equipment	(16,679)	(25,875)
Payments received on note receivable	290,940	166,017
Net cash provided by (used in) investing activities	859,261	(14,824)
Cash Flows from Financing Activities:		
Contribution restricted for long-term investments		100,000
Advances drawn on line of credit	708,000	300,000
Repayments on line of credit	(296,000)	(122,000)
Net cash provided by financing activities	412,000	278,000
Net Change in Cash and Cash Equivalents	(836,732)	(914,841)
Cash and Cash Equivalents - Beginning of year	9,387,797	10,302,638
Cash and Cash Equivalents - End of year	\$ 8,551,065	\$ 9,387,797
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 7,408	\$ 3,390

See accompanying notes to financial statements.

California State Parks Foundation

Notes to Financial Statements

Note 1 - Organization:

California State Parks Foundation (CSPF) is the only statewide independent nonprofit dedicated to protecting, improving and advocating for California's 279 state parks so that they are available and accessible to all. We achieve lasting benefits for park users by facilitating park maintenance and improvement projects, supporting programs that connect people to parks, and serving as staunch advocates for sound policies and funding for parks.

Our community of park supporters make our work possible through volunteerism, political activism, financial support and local engagement. Together we ensure that the natural beauty, rich culture and history, and recreational and educational opportunities of California's state parks are available to everyone now and for generations 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 of America (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 \$5,366,618 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.

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.

California State Parks Foundation

Notes to Financial Statements

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, 2015, the Foundation recorded in-kind donations of \$718,828 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.

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. The Foundation held \$1,050,749 in cash on behalf of others as of June 30, 2015.

e. Inventory

Inventory consists of passes to state parks, which are reported at the lower of cost or market. Cost is determined by weighted average method.

California State Parks Foundation

Notes to Financial Statements

f. 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.

g. 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 \$2,500.

h. Planned Gifts

Planned gifts include gift annuities, a pooled income fund, and various charitable remainder trusts, all of which 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 (\$16,123 at June 30, 2015) 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

i. 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.

j. 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. No estimated unrelated business income tax was recorded for the year ended June 30, 2015.

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.

k. 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.

l. 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.

California State Parks Foundation

Notes to Financial Statements

m. 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, 2014 from which the summarized information was derived.

n. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2015 through February 2, 2016 the date these financial statements were available to be issued. Except as discussed in Note 4, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

o. Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

Note 3 - Contributions, Grants and Other Receivables:

Contributions, grants and other accounts receivable consist of the following as of June 30, 2015:

Contributions receivable	\$ 454,911
Discount on multi-year pledge	(20,989)
Grants receivable	692,568
Other receivables	1,041
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Total	\$ 1,127,531

Receivables are expected to be collected over the following periods:

Less than one year	\$ 473,520
One to five years	625,000
More than five years	50,000
Less: discount to net present value	(20,989)
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Total	\$ 1,127,531

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 interest of 5% per annum.

In June 2015, the Foundation entered into a forbearance agreement with the marketing agent and received \$263,000 in principal and interest as a settlement amount on the outstanding balance of \$681,284. The outstanding balance of \$426,305 is fully reserved as of June 30, 2015. Subsequent to the year ended June 30, 2015, the outstanding balance of \$426,305 was fully discharged.

At June 30, 2015, the Foundation has accrued as grant expenditures, the amount outstanding on the note receivable, in accounts payable on the Statement of Financial Position.

California State Parks Foundation

Notes to Financial Statements

Note 5 - Investments:

The amortized cost and estimated fair values of the major components of investment securities as of June 30, 2015 are as follows:

	Amortized Cost	Fair Value
Stock and other equities	\$ 2,071,582	\$ 2,250,116
Exchange traded funds – equities	3,484,865	3,631,874
Mutual funds – fixed income	717,641	684,995
U.S. Treasury securities	579,118	580,904
Government agency mortgage-backed bonds	411,045	412,058
Foreign government bonds	14,404	14,280
Corporate bonds	1,476,067	1,488,026
	<hr/>	<hr/>
	\$ 8,754,722	\$ 9,062,253

Investment income for the year ended June 30, 2015 include the following:

Interest and dividends, net of fees	\$ 243,581
Realized gains	1,057,308
	<hr/>
Investment income	1,300,889
Unrealized losses	(1,286,768)
	<hr/>
Total investment income	\$ 14,121

Total investment income includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year ended June 30, 2015 of \$47,177 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, 2015 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments (see Note 5):				
Stock and other equities	\$2,250,116			\$2,250,116
Exchange traded funds-equities	3,631,874			3,631,874
Mutual funds – fixed income		\$ 684,995		684,995
U.S. Treasury securities	580,904			580,904
Government agency mortgage-backed bonds		412,058		412,058
Foreign government bonds		14,280		14,280
Corporate bonds		1,488,026		1,488,026
	6,462,894	2,599,359		9,062,253
Planned gifts:				
Pooled income investment:				
Cash and cash equivalents	2,485			2,485
Common trust fund			\$ 111,716	111,716
	2,485		111,716	114,201
Total	\$6,465,379	\$2,599,359	\$ 111,716	\$9,176,454

The following is a schedule of Level 3 asset activity for the year ended June 30, 2015:

Fair value at June 30, 2014	\$	116,613
Net realized and unrealized losses		(4,897)
Fair value at June 30, 2015	\$	111,716

Other financial instruments

The recorded amounts of cash equivalents, receivables and payables represent a reasonable estimate of their fair values. Liability to beneficiaries of planned gifts approximates fair value using methodologies described in Note 2.

California State Parks Foundation

Notes to Financial Statements

Note 7 - Property, Plant and Equipment:

Property, plant and equipment at June 30, 2015 consist of the following:

Furniture and equipment	\$ 367,550
Leasehold improvements	822,023
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	1,189,573
Less accumulated depreciation	(881,034)
	<hr/>
	\$ 308,539

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 2016. As of June 30, 2015, the outstanding balance on this line of credit was \$590,000, and the Foundation incurred interest expense in the amount of \$7,408 for the year then ended.

Note 9 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes or for future periods at June 30, 2015:

Program services	\$ 5,193,513
Unappropriated endowment income	762,397
Operating grants	179,011
Planned giving and memorials	103,808
Other	18,755
	<hr/>
	\$ 6,257,484

Temporarily restricted net assets of \$2,631,389 were released during 2015 in accordance with the donors' intentions.

California State Parks Foundation

Notes to Financial Statements

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.

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, 2015.

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 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.

Endowment funds as of June 30, 2015 are as follows:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 762,397	\$ 2,908,774	\$ 3,671,171
Board-designated funds	\$ 5,366,618			5,366,618
Total endowment funds	\$ 5,366,618	\$ 762,397	\$ 2,908,774	\$ 9,037,789

California State Parks Foundation

Notes to Financial Statements

Endowment activity by net asset classification for the year ended June 30, 2015 is as follows:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,994,436	\$ 877,719	\$ 2,908,774	\$ 9,780,929
Investment return:				
Income	125,578	83,863		209,441
Net realized and unrealized gain	(128,396)	(95,637)		(224,033)
<hr/> Total investment return	<hr/> (2,818)	<hr/> (11,774)		<hr/> (14,592)
Appropriation for expenditure	(25,000)	(103,548)		(128,548)
Transfer to operating funds	(600,000)			(600,000)
<hr/> Endowment net assets, end of year	<hr/> \$ 5,366,618	<hr/> \$ 762,397	<hr/> \$ 2,908,774	<hr/> \$ 9,037,789

Note 11 - Joint Costs:

In 2015, the Foundation incurred joint costs of \$3,178,682 for informational materials and activities that included fundraising appeals. Of those costs, \$1,831,672 was allocated to program services and \$1,347,010 was allocated to fundraising.

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 of 5% 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. 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 \$82,214 during the year ended June 30, 2015.

California State Parks Foundation

Notes to Financial Statements

Note 13 - Commitments and Contingencies:

Wetlands Restoration Project

The Foundation and the California Department of Parks and Recreation (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, 2013, which cost approximately \$12 million. Phase 2 was on hold during the fiscal year ended June 30, 2015 and is expected to 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, 2015, approximately \$1,142,000 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.

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,	
2016	\$ 417,200
2017	435,700
2018	276,100
	<hr/>
	\$ 1,129,000

Rental expense under these agreements for the year ended June 30, 2015 was approximately \$380,000. 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.

California State Parks Foundation

Notes to Financial Statements

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.