

# CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2014

---

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# California State Parks Foundation

## Independent Auditors' Report and Financial Statements

---

<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 20

## **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, 2014, 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*

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

*San Francisco*

*CA 94105*

*415.781.0793*

*fax 415.421.2976*

*60 S. Market Street*

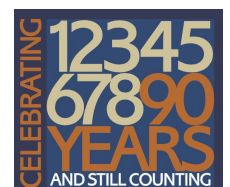
*Suite 200*

*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, 2014, 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, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
January 28, 2015

# California State Parks Foundation

## Statement of Financial Position

<i>June 30, 2014 (with comparative totals for 2013)</i>	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 8,288,109	\$ 9,178,423
Cash and cash equivalents held on behalf of others	1,099,688	1,124,215
Contributions, grants, and other receivables	354,800	1,122,858
Note receivable	717,246	883,263
Prepaid expenses and other assets	313,855	242,795
Investments	9,876,712	8,644,432
Planned gifts	117,859	544,280
Property, plant, and equipment, net	402,694	486,028
<b>Total assets</b>	<b>\$ 21,170,963</b>	<b>\$ 22,226,294</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,611,515	\$ 2,032,975
Funds held on behalf of others	1,099,688	1,124,215
Line of credit	178,000	
Deferred revenue	1,201,225	1,956,097
Deferred rent	318,588	368,041
Liability to beneficiaries of planned gifts	17,701	43,320
<b>Total liabilities</b>	<b>4,426,717</b>	<b>5,524,648</b>
<b>Net Assets:</b>		
Unrestricted	7,420,732	7,404,778
Temporarily restricted	6,414,740	6,294,900
Permanently restricted	2,908,774	3,001,968
<b>Total net assets</b>	<b>16,744,246</b>	<b>16,701,646</b>
<b>Total liabilities and net assets</b>	<b>\$ 21,170,963</b>	<b>\$ 22,226,294</b>

The accompanying notes are an integral part of this statement.

# California State Parks Foundation

## Statement of Activities

Year Ended June 30, 2014 (with comparative totals for 2013)

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenue and Support:</b>					
Contributions	\$ 1,856,976	\$ 2,163,496	\$ 100,000	\$ 4,120,472	\$ 6,069,295
Membership dues	5,269,909			5,269,909	5,194,219
Grants and project funding for State Parks	709,331			709,331	
Donated goods and services	1,079,562			1,079,562	1,367,825
Bequests	33,044	196,356		229,400	66,885
Investment income, net	447,532	258,869	46,162	752,563	668,245
Events	2,674	14,838		17,512	358,603
Other income	219,229	46,714		265,943	473,734
Net assets released from restrictions	3,025,908	(2,817,435)	(208,473)		
<b>Total revenues and support</b>	<b>12,644,165</b>	<b>(137,162)</b>	<b>(62,311)</b>	<b>12,444,692</b>	<b>14,198,806</b>
<b>Expenses:</b>					
Program services	9,001,688			9,001,688	10,552,249
Management and general	1,461,065			1,461,065	1,781,047
Fundraising	2,521,307			2,521,307	3,269,315
<b>Total expenses</b>	<b>12,984,060</b>			<b>12,984,060</b>	<b>15,602,611</b>
<b>Change in Net Assets from Operations</b>	<b>(339,895)</b>	<b>(137,162)</b>	<b>(62,311)</b>	<b>(539,368)</b>	<b>(1,403,805)</b>
<b>Other Changes:</b>					
Change in value of planned gifts		29,245		29,245	(9,678)
Unrealized investment gains (loss)	355,849	227,757	(30,883)	552,723	70,047
<b>Change in Net Assets</b>	<b>15,954</b>	<b>119,840</b>	<b>(93,194)</b>	<b>42,600</b>	<b>(1,343,436)</b>
<b>Net Assets - beginning of year</b>	<b>7,404,778</b>	<b>6,294,900</b>	<b>3,001,968</b>	<b>16,701,646</b>	<b>18,045,082</b>
<b>Net Assets - end of year</b>	<b>\$ 7,420,732</b>	<b>\$ 6,414,740</b>	<b>\$ 2,908,774</b>	<b>\$ 16,744,246</b>	<b>\$ 16,701,646</b>

The accompanying notes are an integral part of this statement.

# California State Parks Foundation

## Statement of Functional Expenses

Year Ended June 30, 2014 (with comparative totals for 2013)

	2014			Total	2013 Total
	Program Services	Management and General	Fund- raising		
<b>Personnel Costs:</b>					
Salaries	\$ 893,351	\$ 796,001	\$ 581,245	\$ 2,270,597	\$ 2,839,475
Payroll taxes	65,285	51,942	48,648	165,875	201,883
Employee benefits	170,890	136,291	127,175	434,356	437,970
<b>Total personnel costs</b>	<b>1,129,526</b>	<b>984,234</b>	<b>757,068</b>	<b>2,870,828</b>	<b>3,479,328</b>
<b>Expenses:</b>					
Direct grants	980,687			980,687	1,989,808
Wetlands Mitigation Credits	660,000			660,000	
Park policy and advocacy	361,182			361,182	514,255
Membership	2,410,467		402,430	2,812,897	2,836,671
Direct project expense	260,177			260,177	538,298
Postage and delivery	480,598	9,672	276,829	767,099	796,292
Printing	600,929	13,981	369,302	984,212	925,680
Consulting	1,177,872	44,879	269,296	1,492,047	2,443,092
E-Commerce	16	4,395		4,411	2,725
Events	106,213	514	13,736	120,463	249,078
Marketing services for State Parks					181,937
Public education and promotion	118,097	48,495	2,919	169,511	216,908
Rent and relocation	143,990	114,560	107,296	365,846	357,513
Office supplies and expenses	219,222	15,457	107,233	341,912	72,315
Legal and professional fees	8,918	39,731	2,977	51,626	182,039
Communications	7,597		35	7,632	197,716
Travel	55,205	31,221	7,951	94,377	117,945
Computer expenses	168,479	71,984	138,595	379,058	188,997
Telephone	30,015	19,645	19,615	69,275	69,232
Depreciation	42,983	34,198	32,029	109,210	122,725
Insurance	12,206	15,978	4,719	32,903	30,204
Meetings and conferences	13,196	1,059	1,695	15,950	35,537
Repairs and maintenance	10,276	7,348	6,336	23,960	31,656
Development					
Training	481	395	382	1,258	3,528
Recruiting		100	205	305	12,800
Miscellaneous	3,356	3,219	659	7,234	6,332
<b>Total</b>	<b>\$ 9,001,688</b>	<b>\$ 1,461,065</b>	<b>\$ 2,521,307</b>	<b>\$ 12,984,060</b>	<b>\$ 15,602,611</b>

The accompanying notes are an integral part of this statement.

# California State Parks Foundation

## Statement of Cash Flows

<i>Year Ended June 30, 2014 (with comparative totals for 2013)</i>	2014	2013
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 42,600	\$ (1,343,436)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net unrealized/realized gain on investments	(1,077,314)	(532,368)
Contribution restricted for long-term investments	(100,000)	(1,000,000)
Depreciation and amortization	109,209	122,725
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	768,058	975,701
Planned gifts and liability to beneficiaries	400,802	156,589
Prepaid expenses and other assets	(71,060)	(23,450)
Accounts payable and accrued expenses	(421,460)	379,306
Deferred revenue	(754,872)	2,075
Deferred rent	(49,453)	(42,229)
Funds held on behalf of others	(24,527)	2,490
<b>Net cash used by operating activities</b>	<b>(1,178,017)</b>	<b>(1,302,597)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(2,374,051)	(3,597,502)
Proceeds from sale of investments	2,219,085	2,706,517
Purchases of property, plant and equipment	(25,875)	(50,586)
Payments received on note receivable	166,017	20,000
<b>Net cash used by investing activities</b>	<b>(14,824)</b>	<b>(921,571)</b>
<b>Cash Flows from Financing Activities:</b>		
Contribution restricted for long-term investments	100,000	1,000,000
Advances drawn on line of credit	300,000	
Repayments on line of credit	(122,000)	
<b>Net cash provided by financing activities</b>	<b>278,000</b>	<b>1,000,000</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(914,841)</b>	<b>(1,224,168)</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>10,302,638</b>	<b>11,526,806</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 9,387,797</b>	<b>\$ 10,302,638</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 3,390	
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 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 \$5,994,436 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, 2014, the Foundation recorded in-kind donations of \$1,079,562 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 \$1,099,688 in cash on behalf of others as of June 30, 2014.

# 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 \$2,500.

g. 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 (\$17,701 at June 30, 2014) 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, 2014, the trust was fully liquidated and distributions of \$155,788 were received by the Foundation.

### *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. No estimated unrelated business income tax was recorded for the year ended June 30, 2014. The Foundation is expecting tax refunds in the amount of \$23,700 for overpayments of prior years' estimated tax liability.

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 2010 through 2013 and by California state authorities for the tax years 2009 through 2013.

# 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, 2013 from which the summarized information was derived.

m. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2014 through January 28, 2015, 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

*Pronouncement Effective in the Future:*

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards (IFRS), the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, related to revenue recognition. The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and is effective for annual periods beginning after December 15, 2016. Early adoption is not permitted. The Foundation will evaluate the impact that this standard will have on the financial statements.

o. Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

**Note 3 - Contributions, Grants and Other Receivables:**

Contributions, grants and other accounts receivable consist of the following as of June 30 2014:

Contributions receivable	\$ 311,454
Grants receivable	42,112
Other receivables	1,234
	<hr/>
	\$ 354,800

At June 30, 2014, all receivables are expected to be received within one year.

# 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. The outstanding note receivable was \$717,246 at June 30, 2014.

Principal receipts are scheduled as follows:

Year Ending June 30,	
2015	\$ 180,593
2016	206,664
2017	217,237
2018	112,752
	<hr/>
	\$ 717,246

At June 30, 2014, 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 as of June 30, 2014 are as follows:

	Amortized Cost	Fair Value
Cash and cash equivalents	\$ 353,337	\$ 353,337
Stock and other equities	2,037,605	2,743,318
Exchange traded funds – equities	2,602,151	3,388,110
Mutual funds – fixed income	1,347,236	1,392,472
U.S. Treasury securities	1,079,599	1,047,409
Government agency bonds	453,000	458,326
Corporate bonds	470,503	493,740
	<hr/>	
	\$ 8,343,431	\$ 9,876,712

# California State Parks Foundation

## Notes to Financial Statements

Investment income for the year ended June 30, 2014 include the following:

Interest and dividends, net of fees	\$	227,972
Realized gains		524,591
<hr/>		
Investment income		752,563
Unrealized gains		552,723
<hr/>		
Total investment gain	\$	1,305,286

Total investment income includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year ended June 30, 2014 of \$53,751 are netted against interest and dividends above.

**Note 6 - Fair Value Measurements:**

The table below presents the balances of assets measured at fair value at June 30, 2014 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	\$ 353,337			\$ 353,337
Stock and other equities	2,743,318			2,743,318
Exchange traded funds-equities	3,388,110			3,388,110
Mutual funds – fixed income		\$ 1,392,472		1,392,472
U.S. Treasury securities	1,047,409			1,047,409
Government agency mortgage-backed bonds		458,326		458,326
Corporate bonds		493,740		493,740
<hr/>				
	7,532,174	2,344,538		9,876,712
<hr/>				
Planned gifts:				
Pooled income investment:				
Cash and cash equivalents	1,246			1,246
Common trust fund			\$ 116,613	116,613
<hr/>				
	1,246		116,613	117,859
<hr/>				
<b>Total</b>	<b>\$7,533,420</b>	<b>\$2,344,538</b>	<b>\$ 116,613</b>	<b>\$9,994,571</b>



# California State Parks Foundation

## Notes to Financial Statements

---

The following is a schedule of Level 3 asset activity for the year ended June 30, 2014:

Fair value at June 30, 2013	\$	348,655
Net realized and unrealized gains		4,811
Payments to beneficiaries		(236,853)
<hr/>		
Fair value at June 30, 2014	\$	116,613
<hr/>		

### *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.

### **Note 7 - Property, Plant and Equipment:**

Property, plant and equipment at June 30, 2014 consist of the following:

Furniture and equipment	\$	354,970
Leasehold improvements		817,923
<hr/>		
		1,172,893
Less accumulated depreciation		(770,199)
<hr/>		
	\$	402,694
<hr/>		

### **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, 2014, the outstanding balance on this line of credit was \$178,000, and the Foundation incurred interest expense in the amount of \$3,390 for the year then ended.

# 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, 2014:

Planned giving and memorials	\$ 115,822
Capital campaign	1,208,380
Unappropriated endowment income	877,719
Program services	4,212,819
	<hr/>
	\$ 6,414,740

Temporarily restricted net assets of \$2,817,435 were released during 2014 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, 2014.

### *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, 2014 are as follows:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 877,719	\$ 2,908,774	\$ 3,786,493
Board-designated funds	\$ 5,994,436			5,994,436
<b>Total endowment funds</b>	<b>\$ 5,994,436</b>	<b>\$ 877,719</b>	<b>\$ 2,908,774</b>	<b>\$ 9,780,929</b>

Endowment activity by net asset classification for the year ended June 30, 2014 is as follows:

Endowment net assets, beginning of year	\$ 5,257,911	\$ 487,625	\$ 3,001,968	\$ 8,747,504
Investment return:				
Income	111,256	72,946	(1,631)	182,571
Net realized and unrealized gain	630,269	413,072	16,910	1,060,251
Total investment return	741,525	486,018	15,279	1,242,822
Contributions			100,000	100,000
Appropriation for expenditure	(5,000)	(95,924)	(208,473)	(309,379)
Endowment net assets, end of year	\$ 5,994,436	\$ 877,719	\$ 2,908,774	\$ 9,780,929

**Note 11 - Joint Costs:**

In 2014, the Foundation incurred joint costs of \$3,264,396 for informational materials and activities that included fundraising appeals. Of those costs, \$1,864,467 was allocated to program services and \$1,399,929 was allocated to fundraising.

# 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 reduced its matching contribution percentage from 7% to 5% in August 2013. 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 \$91,593 during the year ended June 30, 2014.

### **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 December 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, 2013, 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, 2014, 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.

# 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,	
2015	\$ 402,300
2016	417,200
2017	435,700
2018	276,100
	<hr/>
	\$ 1,531,300

Rental expense under these agreements for the year ended June 30, 2014 was approximately \$366,000. 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.