

CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2008

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

California State Parks Foundation

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of **CALIFORNIA STATE PARKS FOUNDATION (the Foundation)** as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Foundation's 2007 financial statements and, in our report dated October 8, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2008, and the results of its activities and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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September 21, 2008

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California State Parks Foundation

Statement of Financial Position

<i>June 30,</i>	2008	2007
Assets		
Cash and cash equivalents	\$ 4,312,374	\$ 2,289,696
Contributions, grants and other accounts receivable, net	949,906	385,097
Prepaid expenses and other assets	141,237	67,089
Investments	6,521,583	5,454,136
Planned gifts	677,307	707,117
Property, plant, and equipment, net	905,753	525,687
Total assets	\$ 13,508,160	\$ 9,428,822
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,402,123	\$ 453,206
Note payable	79,503	
Deferred rent	334,520	
Deferred revenue	56,713	73,577
Total liabilities	1,872,859	526,783
Net Assets:		
Unrestricted	5,812,558	4,837,668
Temporarily restricted	3,995,907	2,212,013
Permanently restricted	1,826,836	1,852,358
Total net assets	11,635,301	8,902,039
Total liabilities and net assets	\$ 13,508,160	\$ 9,428,822

California State Parks Foundation

Statement of Activities

Year Ended June 30, 2008 (with comparative totals for 2007)

	2008			Total	2007 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and Support:					
Contributions	\$ 1,591,512	\$ 5,763,734		\$ 7,355,246	\$ 3,209,205
Membership dues	3,653,590			3,653,590	3,329,365
Services to State Parks	773,403			773,403	97,538
Net gain on sale of property	1,211,005			1,211,005	
Donated goods and services	824,179			824,179	1,003,744
Bequests	12,990	989		13,979	791,548
Investment income	232,424	109,580	\$ 16,080	358,084	1,103,337
Events	419,427			419,427	262,687
Other income	180,829	24,923		205,752	191,732
Net assets released from restrictions	3,957,023	(3,957,023)			
Total revenues and support	12,856,382	1,942,203	16,080	14,814,665	9,989,156
Expenses:					
Program services	8,997,709			8,997,709	5,886,150
Management and general	916,516			916,516	740,910
Fundraising	1,593,154			1,593,154	1,231,234
Total expenses	11,507,379			11,507,379	7,858,294
Change in net assets from operations	1,349,003	1,942,203	16,080	3,307,286	2,130,862
Other Changes:					
Change in value of planned gifts		14,782		14,782	139,085
Unrealized investment (losses) gains	(374,113)	(173,091)	(41,602)	(588,806)	(412,203)
Change in Net Assets	974,890	1,783,894	(25,522)	2,733,262	1,857,744
Net Assets - beginning of year	4,837,668	2,212,013	1,852,358	8,902,039	7,044,295
Net Assets - end of year	\$ 5,812,558	\$ 3,995,907	\$ 1,826,836	\$ 11,635,301	\$ 8,902,039

California State Parks Foundation

Statement of Functional Expenses

Year Ended June 30, 2008 (with comparative totals for 2007)

	2008			Total	2007 Total
	Program Services	General and Administrative	Fund Raising		
Personnel Costs:					
Salaries	\$ 684,361	\$ 478,223	\$ 321,467	\$ 1,484,051	\$ 1,380,677
Payroll taxes	52,349	36,581	24,590	113,520	97,273
Employee benefits	110,349	77,111	51,835	239,295	178,639
Total personnel costs	847,059	591,915	397,892	1,836,866	1,656,589
Expenses:					
Direct grants	2,444,526			2,444,526	1,174,961
Park policy and advocacy	1,893,043			1,893,043	270,319
Membership	1,530,134		296,955	1,827,089	1,703,948
Postage and delivery	387,857	4,727	181,588	574,172	548,867
Printing	353,164	566	214,441	568,171	620,221
Consulting	285,308	88,059	177,150	550,517	516,456
Events	270,094		192,167	462,261	326,170
Marketing Services for State Parks	298,520			298,520	122,199
Public education and promotion	249,778	32,092		281,870	335,891
Fiscal agent fees	91,910			91,910	61,813
Rent and relocation	50,208	35,069	23,633	108,910	57,242
Office supplies and expenses	52,224	29,127	19,629	100,980	58,061
Legal and professional fees	35,192	31,414	13,121	79,727	78,256
Communications	35,750	18,987	9,154	63,891	12,331
Travel	38,937	12,046	8,119	59,102	55,309
Computer expenses	26,628	18,525	12,486	57,639	45,716
Telephone	27,246	17,198	11,590	56,034	49,773
Depreciation	18,118	12,655	8,529	39,302	37,771
Insurance	14,930	8,653	5,832	29,415	28,901
Meetings and conferences	9,122	5,970	4,024	19,116	38,049
Repairs and maintenance	8,639	6,034	4,066	18,739	19,998
Development			10,601	10,601	6,326
Training	444	310	209	963	755
Recruiting		250		250	10,539
Miscellaneous	28,878	2,919	1,968	33,765	21,833
Total	\$ 8,997,709	\$ 916,516	\$ 1,593,154	\$ 11,507,379	\$ 7,858,294

California State Parks Foundation

Statement of Cash Flows

<i>Year Ended June 30,</i>	2008	2007
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,733,262	\$ 1,857,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of building	(1,326,728)	
Loss on disposal of property	4,149	
Net unrealized/realized loss (gain) on investments	535,004	(439,405)
Deferred rent	334,520	
Planned gifts	12,946	287,863
Depreciation and amortization	39,302	37,770
Changes in operating assets and liabilities:		
Contributions, grants and other accounts receivable	(564,809)	(28,981)
Prepaid expenses and other assets	(74,148)	7,899
Accounts payable and accrued expenses	948,917	51,007
Net cash provided by operating activities	2,642,415	1,773,897
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(896,789)	(18,388)
Proceeds from sale of building	1,800,000	
Purchases of investments	(8,458,653)	(6,459,997)
Proceeds from sale of investments	6,856,202	4,578,249
Net cash used by investing activities	(699,240)	(1,900,136)
Cash Flows from Financing Activities:		
Advances from line of credit	824,735	
Repayments on line of credit	(745,232)	
Net cash provided by financing activities	79,503	
Net Increase (Decrease) in Cash and Equivalents	2,022,678	(126,239)
Cash and Equivalents - Beginning of year	2,289,696	2,415,935
Cash and Equivalents - End of year	\$ 4,312,374	\$ 2,289,696

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 97,000 members are committed to ensuring that State Parks continue to provide recreation, adventure, renewal and inspiration to all Californians, both now and in the years to come.

The primary sources of The Foundation's support are from membership dues and contributions.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

The Foundation reports information regarding its financial position and activities according to their classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

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 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 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, 2008, The Foundation recorded in-kind donations of \$824,179 for membership premiums and legal 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, 2008.

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.

e. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reflected in the Statement of Activities. Investments received as contributions are recorded at fair market value on the date of receipt.

California State Parks Foundation

Notes to Financial Statements

f. Property, Plant, and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from 3-45 years. Amortization of leasehold improvements is computed over the life of the related lease. The Foundation's policy is to capitalize property, plant and equipment expenditures or donations greater than \$1,000.

g. Planned Gifts

Planned gifts include the gift annuities, pooled income fund, and various charitable remainder trusts and consist primarily of marketable securities.

Pooled Income Fund

The Foundation recognizes its remainder interest in its pooled income fund as temporarily restricted contribution revenue in the period in which the assets are received from the donor. The remainder interest is calculated by taking the fair value of the assets discounted for the estimated period of the donor's life expectancy. The remaining balance which is recorded as deferred revenue (\$56,713 at June 30, 2008) represents the amount of the discount for future interest and is amortized over the expected life of the donor as temporarily restricted net assets using the appropriate discount rate and applicable mortality tables.

Charitable Remainder Trusts

The Foundation has not recorded its beneficial interest in several charitable remainder trusts as sufficient information is not available to value these interests.

The Foundation has been named an irrevocable beneficiary of a charitable remainder trust established by a long-time board member. The portion of the trust attributable to the future interest of The Foundation was recorded in the statement of activities as a temporarily restricted contribution in the year The Foundation was named an irrevocable beneficiary.

Beneficial Interest in Perpetual Trust

The Foundation was named as irrevocable beneficiary of a residual trust under trustee management by a California financial institution. The portion of the trust attributable to the future interest of The Foundation was recorded as permanently restricted revenue at the time of death of the income beneficiary in 1999. The investment income received on the Trust has been designated to support a specific State Park and is recorded as temporarily restricted revenue when earned. Realized and unrealized gains and losses are recorded as changes to permanently restricted assets.

California State Parks Foundation

Notes to Financial Statements

h. Functional Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited based on estimates of related efforts or time usage by The Foundation's management.

i. Income Taxes

The Foundation is a tax-exempt organization under the Internal Revenue Code, Section 509(a)(1) under Section 501(c)(3) and related California code sections. During fiscal year 2007, The Foundation received sponsorship payments as part of its operations. It has been determined that a portion of those payments may be unrelated business income under the Internal Revenue Code. Accordingly, a provision for income taxes has been reflected in these financial statements.

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

k. Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Foundation's financial statements for the year ended June 30, 2006 from which the summarized information was derived.

l. Reclassification

Certain items as reported for the June 30, 2007 financial statements have been reclassified to conform with the June 30, 2008 financial statement presentation. Such reclassification had no effect on the financial position or statement of activities and changes in net assets.

m. Grants Payable

Grants payable in the amount of \$280,400 are included in accounts payable and accrued expenses.

California State Parks Foundation

Notes to Financial Statements

Note 3 - Contributions, Grants and Other Accounts Receivable:

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

	2008	2007
Contributions receivable	\$ 61,557	\$ 204,327
Grants receivable	440,484	79,816
Tenant improvement allowance	334,520	
Other accounts receivable	113,345	100,954
Total	\$ 949,906	\$ 385,097

Contributions receivable as of June 30, 2008 are expected to be received within one year. Grants receivable as of June 30, 2008 are expected to be received as follows: \$331,748 within one year and \$108,736 within five years.

Note 4 - Investments:

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

June 30, 2008

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

California State Parks Foundation

Notes to Financial Statements

June 30, 2007

	Amortized Cost	Fair Value
Stock and other equities	\$ 2,830,687	\$ 3,034,106
US Treasury securities	2,080,979	2,037,674
Cash and cash equivalents	382,356	382,356
	<hr/>	<hr/>
	\$ 5,294,022	\$ 5,454,136

Investment expenses incurred during the fiscal year June 30, 2008 and 2007 of approximately \$75,400 and \$46,500, respectively, are reflected in the Statement of Activities as investment income, net of investment earnings.

Note 5 - Property, Plant and Equipment:

Property, plant and equipment at June 30, 2008 and 2007, consist of the following:

	2008	2007
Land		\$ 212,077
Building and improvements		469,889
Furniture and equipment	\$ 376,816	315,084
Leasehold improvements	798,306	4,333
	<hr/>	<hr/>
	1,175,122	1,001,383
Less accumulated depreciation	(269,369)	(475,696)
	<hr/>	<hr/>
	\$ 905,753	\$ 525,687

The Foundation sold its headquarters building in Kentfield, Marin County in November 2007 at a realized net gain of approximately \$1,211,000.

California State Parks Foundation

Notes to Financial Statements

Note 6 - Temporarily Restricted Net Assets:

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

	2008	2007
Planned giving and memorials	\$ 530,778	\$ 502,321
Program services	3,465,129	1,709,692
	<hr/>	<hr/>
	\$ 3,995,907	\$ 2,212,013

Net assets of \$3,957,023 were released during 2008, in accordance with the donors' intent.

Note 7 - Permanently Restricted Net Assets:

Permanently restricted net assets as of June 30, 2008 and 2007 of \$1,826,836 and \$1,852,358, respectively, are restricted to investment in perpetuity, the income from which is expendable to support programmatic activities of The Foundation.

Note 8 - Joint Costs:

In 2008, The Foundation incurred joint costs of \$2,906,910 for informational materials and activities that included fundraising appeals. Of those costs, \$2,099,320 was allocated to program services and \$807,590 was allocated to fundraising in 2008.

Note 9 - Employee Benefit Plan:

The Foundation established a defined contribution retirement plan on July 1, 1997 for all individuals employed as of January 1, 1997. Individuals hired after January 1, 1997 are eligible to participate at the beginning of the calendar quarter after their hire date and are eligible for The Foundation match after one year of service. Part-time employees are not eligible to participate in the plan until they reach 1,000 hours of service for The Foundation.

In the years ended June 30, 2008 and 2007, The Foundation matched up to 7% of the employee's elected deferral amount. Other contributions could be made by The Foundation on behalf of employees on a discretionary basis.

California State Parks Foundation

Notes to Financial Statements

Employee contributions are vested 100%. Employer matching contributions are vested at a rate of 40% commencing in the second year and increase 20% per year thereafter. The Foundation made matching contributions of \$73,700 and \$54,560 during the years ended June 30, 2008 and 2007, respectively.

Note 10 - Note Payable:

The Foundation entered into a line of credit agreement in June 2006 with a financial institution to provide working capital for a major facilities project with State Parks. The line provides up to \$1,000,000 at a variable interest rate of prime plus .5%. The Foundation is required to adhere to specific financial and other covenants as part of the agreement. The agreement was extended to April 2009. The Foundation has an outstanding balance of \$79,503 at June 30, 2008.

Note 11 - Commitments and Contingencies:

The Foundation currently has an agreement with California Department of Parks and Recreation that allows The Foundation to issue annual and day use passes as part of its membership benefit program through December 2010. The State provides passes to The Foundation at a percentage of their retail price.

The Foundation is currently the project manager on behalf of California Department of Parks and Recreation on a wetlands restoration project on State Parks land. The Foundation has an agreement with a consulting firm in the amount of \$1.7 million to perform services related to the project. As of June 30, 2008, The Foundation has paid the consulting firm approximately \$1,093,500 for the services provided. Approximately \$364,800 of expense was reflected in the Statement of Activities during the fiscal year 2008 and approximately \$69,300 of accounts payable is reflected in the Statement of Financial Position at June 30, 2008.

The wetlands restoration project is partially funded through a reimbursable grant agreement with the State Coastal Conservancy in the amount of \$4,064,400. As of June 30, 2008, The Foundation has received approximately \$1,093,500 to date for work completed on the project. Approximately \$364,800 of income was reflected in the Statement of Activities during the fiscal year 2008 and approximately \$206,900 of accounts receivable is reflected in the Statement of Financial Position at June 30, 2008.

Subsequent to the sale of its headquarters building, The Foundation rented the building from the new owner from November 2007 through June 2008. In April 2008, The Foundation entered into an operating lease agreement for its new headquarters in San Francisco through April 2018 which requires minimum base lease payments.

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 for the next five fiscal years are as follow:

Year Ending	
June 30,	
2009	\$ 257,000
2010	289,000
2011	302,000
2012	292,000
2013	304,000
Thereafter	1,615,000
	<hr/>
	\$ 3,059,000

Rental expenses under these agreements for the year ended June 30, 2008 and 2007 were approximately \$63,900 and \$43,900, respectively. The Foundation received an allowance for tenant improvements from the landlord in the amount of \$334,520. This allowance has been deferred and will be recognized over the life of the lease.

Note 12 - Concentration of Credit Risk:

The Foundation has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash, investments, receivables and planned gifts.

The Foundation invests its excess cash in cash deposits with various financial institutions. These deposits include amounts over the federally insured limits of approximately \$217,300 at June 30, 2008.

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 Financial Services of San Francisco, California.

Assets of the pooled income fund are held by Union Bank of California.

All receivables consist primarily of unsecured amounts due from individuals, foundation and corporate grants and contractual obligations due from governmental agencies as part of The Foundation's programmatic efforts. The credit risk associated with the receivables from individuals is mitigated by the number of individuals and grantors comprising the receivable balance. A reserve has been established for any amounts identified as uncollectible by management.

California State Parks Foundation

Notes to Financial Statements

Note 13 - Recent Accounting Pronouncements:

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Where applicable, this Statement simplifies and codifies related guidance within generally accepted accounting principles (GAAP). This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157, Fair Value Measurements.

The Foundation believes that the adoption of these Statements on the effective dates will not have a material effect on The Foundation's results of activities, financial position, changes in net assets and liquidity.