

CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2007

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

California State Parks Foundation

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 14

Independent Auditors' Report

THE BOARD OF DIRECTORS
CALIFORNIA STATE PARKS FOUNDATION
Kentfield, California

We have audited the accompanying statement of financial position of **CALIFORNIA STATE PARKS FOUNDATION (the Foundation)** as of June 30, 2007, 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 2006 financial statements and, in our report dated September 15, 2006, 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, 2007, 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.

Hood & Strong LLP

October 8, 2007

Consultants and

Business Advisors

60 Spear Street

Suite 400

San Francisco

CA 94105

415.781.0793

fax 415.421.2976

San Francisco

San Jose

Redwood Shores



California State Parks Foundation

Statement of Financial Position

<i>June 30,</i>	2007	2006
Assets		
Cash and cash equivalents	\$ 2,289,696	\$ 2,415,935
Contributions and grants receivable, net	385,097	356,116
Prepaid expenses and other assets	67,089	74,988
Investments	5,454,136	3,132,983
Planned gifts	707,117	1,132,240
Property, plant, and equipment, net	525,687	545,069
Total assets	\$ 9,428,822	\$ 7,657,331
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 453,206	\$ 402,199
Deferred revenue	73,577	210,837
Total liabilities	526,783	613,036
Net Assets:		
Unrestricted	4,837,668	3,523,138
Temporarily restricted	2,212,013	2,188,299
Permanently restricted	1,852,358	1,332,858
Total net assets	8,902,039	7,044,295
Total liabilities and net assets	\$ 9,428,822	\$ 7,657,331

California State Parks Foundation

Statement of Activities

Year Ended June 30, 2007 (with comparative totals for 2006)

	2007			Total	2006 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and Support:					
Contributions	\$ 1,140,368	\$ 1,568,837	\$ 500,000	\$ 3,209,205	\$ 2,647,947
Membership dues	3,329,365			3,329,365	2,787,571
Services to State Parks	97,538			97,538	158,732
Donated goods and services	844,201	159,543		1,003,744	737,522
Planned gifts	682,688	108,860		791,548	11,377
Investment income	643,624	439,277	20,436	1,103,337	293,260
Events	262,687			262,687	294,410
Other income	105,861	85,871		191,732	229,059
Net assets released from restrictions	2,266,260	(2,266,260)			
Total revenues and support	9,372,592	96,128	520,436	9,989,156	7,159,878
Expenses:					
Program services	5,886,150			5,886,150	5,485,338
Management and general	740,910			740,910	676,952
Fundraising	1,231,234			1,231,234	1,304,884
Total expenses	7,858,294			7,858,294	7,467,174
Change in net assets from operations	1,514,298	96,128	520,436	2,130,862	(307,296)
Other Changes:					
Change in value of planned gifts	10,940	128,145		139,085	17,308
Unrealized investment (losses) gains	(210,708)	(200,559)	(936)	(412,203)	150,186
Change in Net Assets	1,314,530	23,714	519,500	1,857,744	(139,802)
Net Assets - beginning of year	3,523,138	2,188,299	1,332,858	7,044,295	7,184,097
Net Assets - end of year	\$ 4,837,668	\$ 2,212,013	\$ 1,852,358	\$ 8,902,039	\$ 7,044,295

California State Parks Foundation

Statement of Functional Expenses

Year Ended June 30, 2007 (with comparative totals for 2006)

	2007			Total	2006 Total
	Program Services	General and Administrative	Fund Raising		
Personnel Costs:					
Salaries	\$ 709,097	\$ 437,655	\$ 233,925	\$ 1,380,677	\$ 1,171,957
Payroll taxes	49,964	30,830	16,479	97,273	84,049
Employee benefits	91,369	56,872	30,398	178,639	178,336
Total personnel costs	850,430	525,357	280,802	1,656,589	1,434,342
Expenses:					
Direct grants	1,174,961			1,174,961	1,661,555
Membership	1,458,539		245,409	1,703,948	1,375,099
Printing	406,744	1,539	211,938	620,221	362,166
Postage and delivery	373,732	4,588	170,547	548,867	462,941
Consulting	366,647	36,898	112,911	516,456	569,366
Public education and promotion	319,131	16,760		335,891	375,165
Events	197,361		128,809	326,170	395,147
Park policy and advocacy	270,319			270,319	76,812
Marketing Services for State Parks	122,199			122,199	181,142
Legal and professional fees	42,667	23,709	11,880	78,256	47,070
Fiscal agent fees	61,813			61,813	140,801
Office supplies and expenses	30,737	17,789	9,535	58,061	44,170
Rent and relocation	28,514	19,168	9,560	57,242	41,265
Travel	39,115	10,542	5,652	55,309	43,341
Telephone	26,901	14,890	7,982	49,773	39,034
Computer expenses	23,527	14,445	7,744	45,716	56,254
Meetings and conferences	24,937	8,536	4,576	38,049	44,861
Depreciation	19,263	12,049	6,459	37,771	38,867
Insurance	15,671	8,613	4,617	28,901	22,093
Repairs and maintenance	10,199	6,379	3,420	19,998	19,916
Online communications	5,472	5,647	1,212	12,331	20,188
Recruiting		10,539		10,539	1,539
Development			6,326	6,326	2,141
Training	385	241	129	755	350
Miscellaneous	16,886	3,221	1,726	21,833	11,549
Total	\$ 5,886,150	\$ 740,910	\$ 1,231,234	\$ 7,858,294	\$ 7,467,174

California State Parks Foundation

Statement of Cash Flows

<i>Year Ended June 30,</i>	2007	2006
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,857,744	\$ (139,802)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net unrealized/realized gain on investments	(439,405)	(276,338)
Planned gifts	287,863	(10,243)
Depreciation and amortization	37,770	38,867
Changes in operating assets and liabilities:		
Contributions and grants receivable	(28,981)	9,306
Prepaid expenses and other assets	7,899	62,037
Accounts payable and accrued expenses	51,007	(31,445)
Net cash used by operating activities	1,773,897	(347,618)
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(18,388)	(40,394)
Purchases of investments	(6,459,997)	(1,037,040)
Proceeds from sale of investments	4,578,249	993,798
Net cash provided (used) by investing activities	(1,900,136)	(83,636)
Net Decrease in Cash and Equivalents	(126,239)	(431,254)
Cash and Equivalents - Beginning of year	2,415,935	2,847,189
Cash and Equivalents - End of year	\$ 2,289,696	\$ 2,415,935

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 90,000 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 is 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, 2007, the Foundation recorded in-kind donations of \$844,201 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, 2007.

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. The fair value of such services is estimated based on standardized industry rates to be approximately \$160,000 for the year ended June 30, 2007.

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.

California State Parks Foundation

Notes to Financial Statements

e. Investments

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

f. Property, Plant, and Equipment

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

g. Planned Gifts

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

Pooled Income Fund

The Foundation recognizes its remainder interest in its pooled income fund as temporarily restricted contribution revenue in the period in which the assets are received from the donor. The remainder interest is calculated by taking the fair value of the assets discounted for the estimated period of the donor's life expectancy. The remaining balance which is recorded as deferred revenue (\$73,577 at June 30, 2007) 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 served as the trustee of a charitable remainder trust. The trust provided for the payment of distributions to the trust's beneficiaries over the trust's term or the beneficiary's lifetime. The portion of the trust attributable to the future interest of the Foundation was recorded in the statement of activity as temporarily restricted contributions in the year the trust is established. The corresponding liability for future amounts due beneficiaries was recorded as deferred revenue.

In 2006, the trust terminated at the passing of the beneficiary. Assets of \$412,006 in trust were released from restrictions and deferred revenue of \$118,667 was recognized as contribution revenue.

California State Parks Foundation

Notes to Financial Statements

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

The Foundation has also 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.

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.

California State Parks Foundation

Notes to Financial Statements

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, 2006 financial statements have been reclassified to conform with the June 30, 2007 financial statement presentation. Such reclassification had no effect on the financial position or statement of activities and changes in net assets.

Note 3 - **Investments:**

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

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

June 30, 2006

	Amortized Cost	Fair Value
Stock and other equities	\$ 1,757,730	\$ 2,369,710
US Treasury securities	810,457	746,474
Cash and cash equivalents	16,799	16,799
	<hr/>	<hr/>
	\$ 2,584,986	\$ 3,132,983

California State Parks Foundation

Notes to Financial Statements

Investment expenses incurred during the fiscal year June 30, 2007 and 2006 of approximately \$46,500 and \$31,000, respectively, are reflected in the Statement of Activities as investment income, net of investment earnings.

Note 4 - Property, Plant, and Equipment:

Property, plant and equipment at June 30, 2007 and 2006, consist of the following:

	2007	2006
Land	\$ 212,077	\$ 212,077
Building and improvements	474,222	472,823
Furniture and equipment	315,084	298,090
	<hr/>	<hr/>
	1,001,383	982,990
Less accumulated depreciation	(475,696)	(437,921)
	<hr/>	<hr/>
	\$ 525,687	\$ 545,069

Note 5 - Temporarily Restricted Net Assets:

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

	2007	2006
Planned giving and memorials	\$ 502,321	\$ 795,530
Program services	1,709,692	1,392,769
	<hr/>	<hr/>
	\$ 2,212,013	\$ 2,188,299

Net assets of \$2,266,260 were released during 2007, in accordance with the donors' intent.

California State Parks Foundation

Notes to Financial Statements

Note 6 - Permanently Restricted Net Assets:

Permanently restricted net assets as of June 30, 2007 and 2006 of \$1,852,358 and \$1,332,858, respectively, are restricted to investment in perpetuity, the income from which is expendable to support programmatic activities of the Foundation.

Note 7 - Joint Costs:

In 2007, the Foundation incurred joint costs of \$2,785,974 for informational materials and activities that included fundraising appeals. Of those costs, \$2,080,944 was allocated to program services and \$705,030 was allocated to fundraising in 2007.

Note 8 - 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, 2007 and 2006, the Foundation matched up to 7% of the employee's elected deferral amount. Other contributions could be made by the Foundation on behalf of employees on a discretionary basis.

Employee contributions are vested 100%. Employer matching contributions are vested at a rate of 40% commencing in the second year and increase 20% per year thereafter. The Foundation made matching contributions of \$54,560 and \$53,576 during the years ended June 30, 2007 and 2006, respectively.

Note 9 - Line of Credit:

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 terminates on April 30, 2008. No advances from the line of credit had been made as of June 30, 2007.

California State Parks Foundation

Notes to Financial Statements

Note 10 - Commitments and Contingencies:

The Foundation currently has a month-to-month agreement with California Department of Parks and Recreation that allows the Foundation to issue annual day use and second vehicle passes as part of its membership benefit program. The State provides annual day passes to the Foundation at 15% of its customary charge to the public.

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 \$1.3 million to perform services related to the project. As of June 30, 2007, the Foundation has paid the consulting firm approximately \$1,230,000 for the services provided. Approximately \$209,500 of expense was reflected in the Statement of Activities during the fiscal year 2007 and approximately \$54,700 of accounts payable is reflected in the Statement of Financial Position at June 30, 2007.

The wetlands restoration project is partially funded through a reimbursable grant agreement with the State Coastal Conservancy in the amount of \$747,500. As of June 30, 2007, the Foundation has received approximately \$728,700 to date for work completed on the project. Approximately \$58,000 of income was reflected in the Statement of Activities during the fiscal year 2007 and approximately \$72,300 of accounts receivable is reflected in the Statement of Financial Position at June 30, 2007.

The Foundation has entered into operating lease agreements through June 30, 2007 which requires minimum base lease payments.

The future minimum lease payments under the lease agreements for the offices in Los Angeles and Sacramento for the next five fiscal years are as follow:

Year Ending June 30,	
2008	\$ 46,000
2009	45,000
2010	22,000
2011	23,000
	<hr/>
	\$ 136,000

Rental expenses under these agreements for the year ended June 30, 2007 and June 30, 2006 were approximately \$43,900 and \$20,000, respectively.

California State Parks Foundation

Notes to Financial Statements

Note 11 - 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 \$424,000 at June 30, 2007.

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.