

# CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# California State Parks Foundation

## Independent Auditors' Report and Financial Statements

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A Century Strong

## **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, 2018, 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 from 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.

## **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, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Foundation's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*HOOD & STRONG LLP*

San Francisco, California  
April 5, 2019

# California State Parks Foundation

## Statement of Financial Position

<i>June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 7,149,969	\$ 8,830,775
Cash and cash equivalents held on behalf of others	1,034,052	1,031,903
Contributions, grants, and other receivables, net	1,263,086	1,164,363
Inventory	5,265	15,503
Prepaid expenses and other assets	255,098	313,105
Investments	8,314,979	8,068,472
Planned gifts	19,710	22,806
Property, plant, and equipment, net	128,208	147,377
<b>Total assets</b>	<b>\$ 18,170,367</b>	<b>\$ 19,594,304</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 400,518	\$ 344,276
Grants payable	1,379,031	1,250,000
Funds held on behalf of others	1,034,052	1,031,903
Line of credit	340,978	321,295
Deferred revenue	381,965	1,421,965
Deferred rent	46,166	75,267
Liability to beneficiaries of planned gifts	1,906	5,002
<b>Total liabilities</b>	<b>3,584,616</b>	<b>4,449,708</b>
<b>Net Assets:</b>		
Unrestricted	6,350,988	6,150,941
Temporarily restricted	5,325,989	6,084,881
Permanently restricted	2,908,774	2,908,774
<b>Total net assets</b>	<b>14,585,751</b>	<b>15,144,596</b>
<b>Total liabilities and net assets</b>	<b>\$ 18,170,367</b>	<b>\$ 19,594,304</b>

See accompanying notes to financial statements.

# California State Parks Foundation

## Statement of Activities

Year Ended June 30, 2018 (with comparative totals for 2017)

	2018				2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Revenue and Support:</b>					
Contributions	\$ 1,799,356	\$ 1,714,074		\$ 3,513,430	\$ 1,702,506
Membership dues	3,542,087	3,500		3,545,587	3,779,930
Donated goods and services	376,917			376,917	380,738
Bequests	1,035,518	15,146		1,050,664	875,638
Investment income, net	174,001	222,720		396,721	317,005
Other income	1,081,721	35,726		1,117,447	1,374,560
Net assets released from restrictions	2,231,796	(2,231,796)		-	
<b>Total revenues and support</b>	<b>10,241,396</b>	<b>(240,630)</b>	<b>-</b>	<b>10,000,766</b>	<b>8,430,377</b>
<b>Expenses:</b>					
Program services	7,339,299			7,339,299	5,797,655
Management and general	834,428			834,428	692,834
Fundraising	1,904,724			1,904,724	1,634,751
<b>Total expenses</b>	<b>10,078,451</b>			<b>10,078,451</b>	<b>8,125,240</b>
<b>Change in Net Assets from Operations</b>	<b>162,945</b>	<b>(240,630)</b>	<b>-</b>	<b>(77,685)</b>	<b>305,137</b>
<b>Other Changes:</b>					
Change in value of planned gifts				-	1,882
Unrealized investment gain (loss)	37,102	(18,262)		18,840	428,709
Return of contribution		(500,000)		(500,000)	
<b>Change in Net Assets</b>	<b>200,047</b>	<b>(758,892)</b>	<b>-</b>	<b>(558,845)</b>	<b>735,728</b>
<b>Net Assets - Beginning of year</b>	<b>6,150,941</b>	<b>6,084,881</b>	<b>\$ 2,908,774</b>	<b>15,144,596</b>	<b>14,408,868</b>
<b>Net Assets - End of year</b>	<b>\$ 6,350,988</b>	<b>\$ 5,325,989</b>	<b>\$ 2,908,774</b>	<b>\$ 14,585,751</b>	<b>\$ 15,144,596</b>

See accompanying notes to financial statements.

# California State Parks Foundation

## Statement of Functional Expenses

Year Ended June 30, 2018 (with comparative totals for 2017)

	2018				2017 Total
	Program Services	Management and General	Fund- raising	Total	
<b>Personnel Costs:</b>					
Salaries	\$ 1,092,965	\$ 336,240	\$ 438,793	\$ 1,867,998	\$ 1,907,084
Payroll taxes	80,741	24,848	32,427	138,016	137,185
Employee benefits	121,560	37,000	48,285	206,845	225,145
<b>Total personnel costs</b>	<b>1,295,266</b>	<b>398,088</b>	<b>519,505</b>	<b>2,212,859</b>	<b>2,269,414</b>
<b>Expenses:</b>					
Computer expense	174,447	61,278	64,329	300,054	462,389
Consulting	149,960	76,106	107,992	334,058	1,104,296
Depreciation and loss on disposal	67,918	20,894	27,267	116,079	108,803
Direct grants	1,111,194	11,949	11,319	1,134,462	422,882
Direct project expense	1,832,922	83	133	1,833,138	227,199
Events	71,044	551	16,790	88,385	96,390
Insurance	11,104	11,543	4,458	27,105	27,336
Legal fees	132,453	584	942	133,979	147,285
Membership	1,765,924	293	964,533	2,730,750	2,103,834
Office expense	106,809	137,117	44,324	288,250	240,759
Park policy and advocacy	189,000	-	-	189,000	91,461
Postage and delivery	13,298	2,147	3,208	18,653	40,065
Printing	42,100	649	15,606	58,355	99,201
Public education and promotion	93,753	-	4,277	98,030	86,292
Recruiting	2,735	10,335	14,469	27,539	48,337
Rent	186,424	57,351	74,844	318,619	374,980
Repairs and maintenance	13,564	4,080	5,492	23,136	31,094
Telecommunications	29,688	9,354	11,753	50,795	63,814
Travel	40,262	22,271	9,444	71,977	59,941
Miscellaneous	9,434	9,755	4,039	23,228	19,468
<b>Total</b>	<b>\$ 7,339,299</b>	<b>\$ 834,428</b>	<b>\$ 1,904,724</b>	<b>\$ 10,078,451</b>	<b>\$ 8,125,240</b>

See accompanying notes to financial statements.

# California State Parks Foundation

## Statement of Cash Flows

<i>Year Ended June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (558,845)	\$ 735,728
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized gain on investments	(221,073)	(586,140)
Depreciation	85,062	108,803
Loss on disposal of property and equipment	31,017	
Discount on pledges receivable		9,185
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	(98,723)	441,376
Inventory	10,238	112,490
Prepaid expenses and other assets	58,007	41,594
Planned gifts and liability to beneficiaries		8,079
Accounts payable and accrued expenses	56,242	(198,173)
Grants payable	129,031	
Funds held on behalf of others	2,149	(21,473)
Deferred revenue	(1,040,000)	279,750
Deferred rent	(29,101)	(97,120)
<b>Net cash (used) provided by operating activities</b>	<b>(1,575,996)</b>	<b>834,099</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(2,922,119)	(3,896,707)
Proceeds from sale of investments	2,896,685	4,204,481
Purchases of property, plant and equipment	(96,910)	(21,693)
<b>Net cash (used) provided by investing activities</b>	<b>(122,344)</b>	<b>286,081</b>
<b>Cash Flows from Financing Activities:</b>		
Advances drawn on line of credit	960,033	621,295
Repayments on line of credit	(940,350)	(630,000)
<b>Net cash provided (used) by financing activities</b>	<b>19,683</b>	<b>(8,705)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1,678,657)</b>	<b>1,111,475</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>9,862,678</b>	<b>8,751,203</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 8,184,021</b>	<b>\$ 9,862,678</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 19,685	\$ 12,148

See accompanying notes to financial statements.



# California State Parks Foundation

## Notes to Financial Statements

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### Note 1 - Organization:

California State Parks Foundation (the Foundation) is the only statewide independent nonprofit dedicated to protecting, improving and advocating for California's 280 state parks so that they are available and accessible to all. We achieve lasting benefits for park users by facilitating park maintenance and improvement projects, supporting programs that connect people to parks, and serving as staunch advocates for sound policies and funding for parks.

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

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

### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Presentation and Description of Net Assets

The Foundation's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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. Unrestricted net assets include an operating reserve designated by the Board in the amount of \$4,196,611 as of June 30, 2018.

##### *Temporarily Restricted Net Assets*

The portion of net assets which 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 which use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

# California State Parks Foundation

## Notes to Financial Statements

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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, 2018, the Foundation recorded in-kind donations of \$376,917 for membership premiums. 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 \$1,034,052 in cash on behalf of others as of June 30, 2018.

e. Inventory

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

# California State Parks Foundation

## Notes to Financial Statements

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f. Investments

Investments are carried at estimated fair value on the Statement of Financial Position. Stocks, exchange traded funds and mutual funds with readily determinable fair value are reported at estimated fair value based on quoted market prices. Bonds are valued using observable market based inputs or unobservable inputs that are corroborated by market data. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is reflected in the Statement of Activities. Investments received as contributions are recorded at fair market value on the date of receipt.

g. Property, Plant, and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from 3-10 years. Amortization of leasehold improvements is computed over the life of the related lease. The Foundation's policy is to capitalize property, plant and equipment expenditures or donations greater than \$2,500.

h. Planned Gifts

Planned gifts include 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 (\$1,906 at June 30, 2018) 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.

i. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are carried at cost or invoiced amount.

# California State Parks Foundation

## Notes to Financial Statements

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j. Grants

Grants in the amount of \$1,134,462 for the year ended June 30, 2018 were unconditional in nature and were recorded at the time they were approved. As of June 30, 2018, grants payable largely consist of one grant payable in the amount of \$1,250,000 awarded to Department of Parks and Recreation in relation to an ongoing capital project at Yosemite Slough. This grant was expensed in prior years at the time it was initially awarded. There were no conditional grants as of June 30, 2018.

k. 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.

l. 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, 2018.

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.

m. 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.

n. 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.

# California State Parks Foundation

## Notes to Financial Statements

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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.

o. 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, 2017 from which the summarized information was derived.

p. Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

q. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2018 through April 5, 2019, 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.

r. Recent Accounting Pronouncements

In May 2014, FASB issued Accounting Standard Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

# California State Parks Foundation

## Notes to Financial Statements

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In February 2016, FASB issued amendments to ASU 2016-02, Leases (Topic 842). Among other things, lessees will be required to recognize the following for all leases (with exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Foundation is currently evaluating the guidance and the effect that the updated standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Foundation is currently implementing the changes to adopt the new guidance.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The amendments in this ASU related to contributions received are effective for the fiscal year ending December 31, 2019, while the amendments related to contributions made are effective one year later. The Foundation is currently evaluating the impact that ASU 2018-08 will have on its financial statements.

# California State Parks Foundation

## Notes to Financial Statements

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

Contributions, grants and other accounts receivable consist of the following as of June 30, 2018:

Contributions receivable	\$ 898,433
Other receivables	392,786
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	1,291,219
Less: discount	(28,133)
	<hr/>
Total	\$ 1,263,086

Receivables are expected to be collected over the following periods:

Less than one year	\$ 1,051,219
One to five years	240,000
Less: discount on multi-year pledge	(28,133)
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Total	\$ 1,263,086

### Note 4 - Investments:

At June 30, 2018, the fair market value of investments consists of the following:

Cash and equivalents	\$ 589,266
Equities	5,366,661
Fixed income	2,359,052
	<hr/>
	\$ 8,314,979

Investment income for the year ended June 30, 2018 include the following:

Interest and dividends, net of fees	\$ 194,488
Realized gains	202,233
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Investment income, net	396,721
Unrealized gains	18,840
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Total investment returns	\$ 415,561

# California State Parks Foundation

## Notes to Financial Statements

Total investment income includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year ended June 30, 2018 of \$56,713 are netted against interest and dividends above.

The investments are collateral to the line of credit described in Note 7.

### Note 5 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value at June 30, 2018 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments (see Note 4):			
Cash and equivalents	\$ 589,266		\$ 589,266
Exchange traded funds -			
global equities	1,482,138		1,482,138
Equities – large cap	2,750,498		2,750,498
Equities – small and			
mid cap	333,655		333,655
Equities – international and			
emerging markets	800,370		800,370
Fixed Income			
Corporate bonds and notes		\$ 770,794	770,794
Government securities		810,393	810,393
Municipal securities		450,288	450,288
Mutual funds		300,317	300,317
Preferred securities		27,260	27,260
	\$ 5,955,927	\$ 2,359,052	\$ 8,314,979

### *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.

Planned gifts of \$19,710 consist of a common trust fund, which is measured at fair value using Level 3 inputs as of June 30, 2018.



# California State Parks Foundation

## Notes to Financial Statements

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### Note 6 - Property, Plant and Equipment:

Property, plant and equipment at June 30, 2018 consist of the following:

Furniture and equipment	\$ 244,378
	244,378
Less accumulated depreciation	(116,170)
	\$ 128,208

Depreciation expense amounted to \$85,062 for the year ended June 30, 2018.

### Note 7 - Line of Credit:

The Foundation had a revolving line of credit up to \$3,000,000.

In May 2018, the Foundation paid off the outstanding balance on the existing revolving line of credit in the amount of \$640,350, which was funded by a new liquidity access line established at the financial institution which currently holds the Foundation's investments.

The new liquidity access line is collateralized by various investments held at the financial institution. The line provides up to \$1,500,000 at a variable interest rate at LIBOR plus an applicable rate or fixed interest rate. Interest rate was 3.348% as of June 30, 2018. As of June 30, 2018, the outstanding balance on this liquidity access line was \$340,978.

### Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes or for future periods at June 30, 2018:

Program services	\$ 4,296,803
Unappropriated endowment income	1,007,260
Planned giving and memorials	21,926
	\$ 5,325,989

Temporarily restricted net assets of \$2,231,796 were released during 2018 in accordance with the donors' intentions.

# California State Parks Foundation

## Notes to Financial Statements

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During the year ended June 30, 2018, conditions arose that prevented the Foundation from complying with donor-imposed restrictions for a \$500,000 grant that had been awarded in prior years. At the donor's request, the funds were returned in December 2017. This transaction is recognized in the Statement of Activities for the year ended June 30, 2018 as Return of Contribution.

### **Note 9 - Endowments Funds:**

The Foundation's endowments consist of donor-restricted endowment funds. 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 are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its State Prudent Management of Institutional Funds Act (SPMIFA). The Board of Trustees of the Foundation has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. There was no deficiency of this nature as of June 30, 2018.

# California State Parks Foundation

## Notes to Financial Statements

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### *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. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 and other relevant indexes while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return exceeding the CPI rate of inflation. Actual returns in any given year may vary from this amount.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation is reinvesting all interest and gain associated with its endowments. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average rate exceeding the CPI rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment funds as of June 30, 2018 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 1,007,260	\$ 2,908,774	\$ 3,916,034
Total endowment funds	\$ 1,007,260	\$ 2,908,774	\$ 3,916,034

# California State Parks Foundation

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Endowment activity by net asset classification for the year ended June 30, 2018 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 935,202	\$ 2,908,774	\$ 3,843,976
Investment return:			
Income	71,754		71,754
Net realized and unrealized gains	104,841		104,841
<hr/> Total investment return	<hr/> 176,595		<hr/> 176,595
Appropriation for expenditure	(104,537)		(104,537)
<hr/> Endowment net assets, end of year	<hr/> \$ 1,007,260	<hr/> \$ 2,908,774	<hr/> \$ 3,916,034

### Note 10 - Joint Costs:

In 2018, the Foundation incurred joint costs of \$3,133,242 for informational materials and activities that included fundraising appeals. Of those costs, \$1,940,246 was allocated to program services and \$1,192,996 was allocated to fundraising.

### Note 11 - Employee Benefit Plan:

The Foundation established a defined contribution retirement plan on July 1, 1997 for all individuals employed as of January 1, 1997. Individuals hired after January 1, 1997 are eligible to participate at the beginning of the calendar quarter after their hire date and are eligible for the Foundation match of 5% after one year of service. Part-time employees are not eligible to participate in the plan until they reach 1,000 hours of service for the Foundation. Other contributions could be made by the Foundation on behalf of employees on a discretionary basis. Employee contributions and employer matching contributions vest immediately. The Foundation made matching contributions of \$32,350 during the year ended June 30, 2018.

# California State Parks Foundation

## Notes to Financial Statements

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### Note 12 - Commitments and Contingencies:

#### *Wetlands Restoration Project*

The Foundation and the California Department of Parks and Recreation (CDPR) are jointly working on a multi-year wetlands restoration project on State Parks land. The project consists of two phases. Phase 1 was completed as of June 30, 2013, which cost approximately \$12 million. The project is funded by various sources including mitigation funds, grants and contributions received by the Foundation. At June 30, 2018, deferred revenue in the amount of \$241,965 on the Statement of Financial Position relates to Phase 2 of the wetlands restoration project.

#### *Operating Leases*

The Foundation had an operating lease agreement for its headquarters in San Francisco that expired in April 2018, at which time they relocated to another location in San Francisco. The Foundation entered into a new operating lease agreement in San Francisco through March 2025, which requires minimum base lease payments. The Foundation also has an operating lease agreement for its Sacramento office through May 2023.

The future minimum lease payments under the lease agreements for the offices in San Francisco and Sacramento as of June 30, 2018 are as follows:

Year Ending	
June 30,	
2019	\$ 262,375
2020	345,900
2021	355,159
2022	365,593
2023	371,876
Thereafter	607,761
	<hr/>
	\$ 2,308,664

Rental expense under these agreements for the year ended June 30, 2018 was approximately \$319,000. The Foundation received five months of free rent under the new San Francisco lease agreement for a total of approximately \$122,720.

# California State Parks Foundation

## Notes to Financial Statements

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### **Note 13 - 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 Morgan Stanley Private Wealth Management 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.