

CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2020

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, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HOOD & STRONG LLP

San Francisco, California
June 4, 2021

California State Parks Foundation

Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 923,562	\$ 1,120,123
Cash and cash equivalents held on behalf of others	1,048,479	1,037,346
Contributions, grants, and other receivables, net	941,097	1,340,272
Prepaid expenses and other assets	284,663	260,153
Investments	12,184,454	13,555,953
Property, plant, and equipment, net	358,506	232,078
Total assets	\$ 15,740,761	\$ 17,545,925
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 250,037	\$ 220,773
Grants payable	1,282,873	1,740,264
Funds held on behalf of others	1,048,479	1,037,346
Line of credit	250,000	
Paycheck Protection Program (PPP) loan	379,686	
Deferred revenue	1,256,965	1,381,965
Deferred rent	84,735	102,267
Total liabilities	4,552,775	4,482,615
Net Assets:		
Without donor restrictions:		
Undesignated	301,731	1,023,269
Board designated operating reserve	3,870,630	4,317,347
Total net assets without donor restrictions	4,172,361	5,340,616
With donor restrictions:		
Time and purpose restrictions	4,106,851	4,813,920
Perpetual restrictions	2,908,774	2,908,774
Total net assets with donor restrictions	7,015,625	7,722,694
Total net assets	11,187,986	13,063,310
Total liabilities and net assets	\$ 15,740,761	\$ 17,545,925

See accompanying notes to financial statements.

California State Parks Foundation

Statement of Activities

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Contributions	\$ 2,088,096	\$ 448,599	\$ 2,536,695	\$ 2,515,078
Membership dues	3,351,160		3,351,160	3,403,738
Donated goods and services	249,167		249,167	402,589
Bequests	422,462	44,271	466,733	1,196,494
Investment income, net	300,472	169,237	469,709	480,337
Other income	181,815	4,804	186,619	40,583
Net assets released from restrictions	458,420	(458,420)	-	-
Total revenues and support	7,051,592	208,491	7,260,083	8,038,819
Expenses:				
Program services	5,810,307		5,810,307	7,248,232
Management and general	802,287		802,287	836,835
Fundraising	1,393,911		1,393,911	1,505,759
Total expenses	8,006,505	-	8,006,505	9,590,826
Change in Net Assets from Operations	(954,913)	208,491	(746,422)	(1,552,007)
Other Changes:				
Unrealized investment (loss) gain	(213,342)	(304,560)	(517,902)	29,566
Return of contribution		(611,000)	(611,000)	-
Change in Net Assets	(1,168,255)	(707,069)	(1,875,324)	(1,522,441)
Net Assets - Beginning of year	5,340,616	7,722,694	13,063,310	14,585,751
Net Assets - End of year	\$ 4,172,361	\$ 7,015,625	\$ 11,187,986	\$ 13,063,310

See accompanying notes to financial statements.

California State Parks Foundation

Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	Total
Personnel Costs:					
Salaries	\$ 1,404,324	\$ 345,790	\$ 300,387	\$ 2,050,501	\$ 1,960,104
Payroll taxes	99,874	32,794	16,397	149,065	145,268
Employee benefits	160,178	52,596	26,298	239,072	227,972
Total personnel costs	1,664,376	431,180	343,082	2,438,638	2,333,344
Expenses:					
Computer expense	185,215	72,761	27,935	285,911	315,779
Consulting	167,241	75,855	46,940	290,036	414,110
Depreciation and loss on disposal	94,866	38,199	17,563	150,628	62,635
Direct grants	601,280	-	-	601,280	2,005,394
Direct project expense	511,234	-	-	511,234	663,343
Events	44,123	-	6,013	50,136	105,743
Insurance	16,340	6,428	2,949	25,717	29,139
Legal fees	91,523	3,117	720	95,360	81,461
Membership	1,356,040	228	647,431	2,003,699	2,113,735
Office expense	169,457	21,182	21,182	211,821	199,751
Park policy and advocacy	66,000	-	-	66,000	53,010
Postage and shipping	274,270	24,934	199,469	498,673	580,079
Printing	56,398	4,028	20,142	80,568	40,124
Public education and promotion	129,977	-	6,841	136,818	34,970
Recruiting	703	9,795	809	11,307	42,978
Rent	227,533	91,618	42,124	361,275	339,968
Repairs and maintenance	5,059	2,056	912	8,027	26,825
Telecommunications	19,695	8,871	3,852	32,418	31,810
Travel	58,932	11,166	4,721	74,819	83,801
Miscellaneous	70,045	869	1,226	72,140	32,827
Total	\$ 5,810,307	\$ 802,287	\$ 1,393,911	\$ 8,006,505	\$ 9,590,826

See accompanying notes to financial statements.

California State Parks Foundation

Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,875,324)	\$ (1,522,441)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized loss (gain) on investments	297,208	(239,523)
Depreciation	133,534	40,104
Loss on disposal of property and equipment	-	22,531
Discount on pledges receivable	(3,002)	(20,507)
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	402,177	(56,679)
Prepaid expenses and other assets	(24,510)	210
Planned gifts and liability to beneficiaries	-	17,804
Accounts payable and accrued expenses	29,264	(179,745)
Grants payable	(457,391)	361,233
Funds held on behalf of others	11,133	3,294
Deferred revenue	(125,000)	1,000,000
Deferred rent	(17,532)	56,101
Net cash used in operating activities	(1,629,443)	(517,618)
Cash Flows from Investing Activities:		
Purchases of investments	(12,071,610)	(9,489,875)
Proceeds from sale of investments	13,145,901	4,488,424
Purchases of property, plant and equipment	(259,962)	(166,505)
Net cash provided by (used in) investing activities	814,329	(5,167,956)
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program loan	379,686	
Advances drawn on line of credit	450,000	204,544
Repayments on line of credit	(200,000)	(545,522)
Net cash provided by (used in) financing activities	629,686	(340,978)
Net Change in Cash and Cash Equivalents	(185,428)	(6,026,552)
Cash and Cash Equivalents - Beginning of year	2,157,469	8,184,021
Cash and Cash Equivalents - End of year	\$ 1,972,041	\$ 2,157,469
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 1,398	\$ 6,254
Reconciliation of cash and equivalents and restricted cash to amounts shown on the Statement of Financial Position:		
Cash and equivalents	\$ 923,562	\$ 1,120,123
Restricted cash	1,048,479	1,037,346
Total cash and equivalents and restricted cash shown in the statement of cash flows	\$ 1,972,041	\$ 2,157,469

See accompanying notes to financial statements.

California State Parks Foundation

Notes to Financial Statements

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 two categories of net assets as follows:

Without Donor Restrictions

The portion of net assets that is not limited by donor-imposed stipulations. Net assets without donor restrictions include an operating reserve designated by the Board in the amount of \$3,870,630 as of June 30, 2020.

With Donor Restrictions

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. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that the principal be invested in perpetuity. Expenditures in earnings are made in accordance with donors' stipulations and the Foundation's spending policy.

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. Contributions and grants with donor restrictions are reported accordingly as increases in net assets with donor restrictions on the Statement of Activities. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, 2020, the Foundation recorded in-kind donations of \$249,167 for membership premiums and donated 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 \$1,048,479 in cash on behalf of others as of June 30, 2020.

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.

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 3-10 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. Grants

Grants in the amount of \$601,280 for the year ended June 30, 2020 were unconditional in nature and were recorded at the time they were approved and expected to be paid within the next fiscal year. As of June 30, 2020, grants payable largely consist of one grant payable in the amount of \$1,282,873 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, 2020.

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, 2020.

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.

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.

California State Parks Foundation

Notes to Financial Statements

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, 2019 from which the summarized information was derived.

m. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2020 through June 4, 2021, 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 adopted:

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 June 30, 2020, while the amendments related to contributions made are effective one year later. The standard was adopted by the Foundation as of July 1, 2019, and did not have a significant to the financial statements.

In May 2014, FASB issued 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. The updated standard will be effective for annual reporting periods beginning after December 15, 2019. There were no significant changes to the financial statements or disclosures.

Pronouncements effective in the future:

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, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact that ASU 2016-02 will have on its financial statements.

California State Parks Foundation

Notes to Financial Statements

Note 3 - Contributions, Grants and Other Receivables:

Contributions, grants and other accounts receivable consist of the following as of June 30, 2020:

Contributions receivable	\$	180,000
Other receivables		765,720
		<hr/>
		945,720
Less discount		(4,623)
		<hr/>
Total	\$	941,097

Receivables are expected to be collected over the following periods:

Less than one year	\$	220,720
One to five years		725,000
Less discount on multi-year pledge		(4,623)
		<hr/>
Total	\$	941,097

Note 4 - Investments:

At June 30, 2020, the fair value of investments consists of the following:

Cash and equivalents	\$	4,007,977
Equities		2,945,613
Fixed income		5,029,054
Alternatives		201,810
		<hr/>
	\$	12,184,454

Investment income for the year ended June 30, 2020 includes the following:

Interest and dividends, net of fees	\$	249,015
Realized gains		220,694
		<hr/>
Investment income, net		469,709
Unrealized losses		(517,902)
		<hr/>
Total investment return	\$	(48,193)

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, 2020 of \$42,147 are netted against interest and dividends above.

Investments in the amount of \$2,209,393 are pledged as collateral to the liquidity access line described in Note 7.

Note 5 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value at June 30, 2020 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments (see Note 4):			
Cash and equivalents	\$ 4,007,977		\$ 4,007,977
Exchange traded funds – global equities	1,447,722		1,447,722
Equities – large cap	1,159,477		1,159,477
Equities – small and mid cap	64,165		64,165
Equities – international and emerging markets	274,248		274,248
Fixed Income:			
Corporate bonds and notes		\$ 914,101	914,101
Government securities		942,631	942,631
Municipal securities		380,410	380,410
Mutual funds		2,780,521	2,780,521
Preferred securities		11,392	11,392
Alternatives	201,810		201,810
	\$ 7,155,399	\$ 5,029,055	\$ 12,184,454

Other financial instruments

The recorded amounts of cash equivalents, receivables and payables represent a reasonable estimate of their fair values.

California State Parks Foundation

Notes to Financial Statements

Note 6 - Property, Plant and Equipment:

Property, plant and equipment at June 30, 2020 consist of the following:

Furniture and equipment	\$ 168,245
Software development costs	409,944
Less accumulated depreciation	(219,683)
	<hr/>
	\$ 358,506

Depreciation expense amounted to \$133,534 for the year ended June 30, 2020.

Note 7 - Liquidity Access Line:

The Foundation has a liquidity access line that is collateralized by various investments held with the same financial institution. The interest rate provides up to \$1,500,000 at a variable interest rate at LIBOR plus an applicable rate or fixed interest rate. Interest rate was 1.43% per annum as of June 30, 2020. The outstanding balance was \$250,000 as of June 30, 2020.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

Time and purpose restrictions:

Program services	\$ 3,236,171
Unappropriated endowment income	849,635
Planned giving and memorials	21,045

Total time and purpose restrictions	<hr/> 4,106,851
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Perpetual restrictions:

Endowment	2,908,774
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Total perpetual restrictions	<hr/> 2,908,774
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Total net assets with donor restrictions	<hr/> \$ 7,015,625
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Net assets with donor restrictions of \$458,420 were released during 2020 in accordance with the donors' intentions.

California State Parks Foundation

Notes to Financial Statements

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 net assets with donor restrictions in perpetuity (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 net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation 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 Foundation 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 Foundation, and (7) the investment policies of the Foundation.

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, 2020.

California State Parks Foundation

Notes to Financial Statements

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. 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 gains 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 donor-specified term as well as to provide additional real growth through new gifts and investment return.

Endowment funds as of June 30, 2020 are as follows:

	<u>With Donor Restrictions</u>		
	Time and Purpose	Perpetuity	Total
<u>Donor-restricted endowment funds</u>	\$ 849,635	\$ 2,908,774	\$ 3,758,409
<u>Total endowment funds</u>	\$ 849,635	\$ 2,908,774	\$ 3,758,409

California State Parks Foundation

Notes to Financial Statements

Endowment activity by net asset classification for the year ended June 30, 2020 is as follows:

	<u>With Donor Restrictions</u>		Total
	Time and Purpose	Perpetuity	
Endowment net assets, beginning of year	\$ 1,195,953	\$ 2,908,774	\$ 4,104,727
Investment return:			
Income	105,331		105,331
Net realized and unrealized loss	(269,606)		(269,606)
<hr/> Total investment return	(164,275)		(164,275)
Contributions and/or transfers	(138,948)		(138,948)
Appropriation for expenditure	(43,095)		(43,095)
<hr/> Endowment net assets, end of year	\$ 849,635	\$ 2,908,774	\$ 3,758,409

Note 10 - Joint Costs:

In 2020, the Foundation incurred joint costs of \$2,892,007 for informational materials and activities that included fundraising appeals. Of those costs, \$1,885,042 was allocated to program services and \$1,006,964 was allocated to fundraising.

Note 11 - Employee Benefit Plan:

The Foundation established a 401(k) 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% of compensation after one year of service. Part-time employees are not eligible to participate in the plan until they reach 1,000 hours of service in total for the Foundation. Other contributions may 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 \$72,202 during the year ended June 30, 2020.

California State Parks Foundation

Notes to Financial Statements

Note 12 - Commitments and Contingencies:

Operating Leases

The Foundation has an operating lease for its main office 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, 2020 are as follows:

Year Ending June 30,	
2021	\$ 355,159
2022	365,593
2023	371,876
2024	344,000
2025	263,761
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	\$ 1,700,389

Rental expense under these agreements for the year ended June 30, 2020 was \$361,275.

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 and receivables.

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 a requirement to regularly review the performance of investment manager. Investments are managed by Morgan Stanley Private Wealth Management of San Francisco, California.

Receivables consist primarily of unsecured amounts due from individuals, grants from foundations and corporations and contractual obligations due from governmental agencies as part of the Foundation's programmatic efforts. The credit risk associated with 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.

California State Parks Foundation

Notes to Financial Statements

Note 14 - Availability and Liquidity:

As of June 30, 2020, the Foundation's financial assets available within one year for general expenditures are as follows:

Financial assets:	
Cash and cash equivalents	\$ 923,562
Cash and cash equivalents held on behalf of others	1,048,479
Contributions, grants, and other receivables, net	941,097
Investments	12,184,454
	<hr/>
	15,097,592
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Less amounts not available to be used within one year:	
Funds held for others	(1,048,479)
Long term receivables	(725,000)
Net assets with donor restrictions	(7,015,625)
Board designated reserve	(3,870,630)
	<hr/>
Financial assets available to meet general expenditures within one year	\$ 2,437,858

The Foundation has a \$1,500,000 line of credit as described in Note 7. Additionally, the Board designated reserve of \$3,870,630 can be made available at the Board's discretion.

Note 15 - Global Pandemic:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Foundation operates.

It is unknown how long these conditions will last and what the complete financial effect will be to the Foundation. It is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

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Notes to Financial Statements

PPP Loan Payable

In May 2020, the Foundation received a Paycheck Protection Program (PPP) loan in the amount of \$379,686 at 1% interest rate. The maturity date is two years from the date of first disbursement. If the Foundation submits its loan forgiveness application within ten months of the completion of its loan forgiveness covered period, no payments will be required until the forgiveness amount has been communicated by the lender. If any or all of the loan is not forgiven, the unforgiven balance plus interest accrued from the first disbursement must be repaid by the maturity date of the loan.