

**CALIFORNIA STATE PARKS FOUNDATION**

**JUNE 30, 2021**

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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, 2021, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*HOOD & STRONG LLP*

San Francisco, California  
May 6, 2022

# California State Parks Foundation

## Statement of Financial Position

<i>June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 1,417,042	\$ 923,562
Cash and cash equivalents held on behalf of others	1,048,706	1,048,479
Contributions, grants, and other receivables, net	298,231	941,097
Prepaid expenses and other assets	529,124	284,663
Investments	11,918,595	12,184,454
Property, plant, and equipment, net	225,856	358,506
<b>Total assets</b>	<b>\$ 15,437,554</b>	<b>\$ 15,740,761</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 332,246	\$ 250,037
Grants payable	-	1,282,873
Funds held on behalf of others	1,048,706	1,048,479
Line of credit	-	250,000
Paycheck Protection Program (PPP) loan	379,686	379,686
Deferred revenue	241,965	1,256,965
Deferred rent	67,204	84,735
<b>Total liabilities</b>	<b>2,069,807</b>	<b>4,552,775</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	1,662,644	301,731
Board designated operating reserve	4,460,305	3,870,630
<b>Total net assets without donor restrictions</b>	<b>6,122,949</b>	<b>4,172,361</b>
With donor restrictions:		
Time and purpose restrictions	4,336,024	4,106,851
Perpetual restrictions	2,908,774	2,908,774
<b>Total net assets with donor restrictions</b>	<b>7,244,798</b>	<b>7,015,625</b>
<b>Total net assets</b>	<b>13,367,747</b>	<b>11,187,986</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,437,554</b>	<b>\$ 15,740,761</b>

See accompanying notes to financial statements.

# California State Parks Foundation

## Statement of Activities

*Year Ended June 30, 2021 (with comparative totals for 2020)*

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue and Support:</b>				
Contributions	\$ 2,800,540	\$ 2,409,063	\$ 5,209,603	\$ 2,536,695
Membership dues	3,841,126	-	3,841,126	3,351,160
Donated goods and services	275,330	-	275,330	249,167
Bequests	220,558	-	220,558	466,733
Investment income, net	133,951	284,154	418,105	469,709
Other income	98,419	4,204	102,623	186,619
Net assets released from restrictions	3,167,458	(3,167,458)	-	-
Total revenues and support	10,537,382	(470,037)	10,067,345	7,260,083
<b>Expenses:</b>				
Program services	6,926,021	-	6,926,021	5,810,307
Management and general	734,966	-	734,966	802,287
Fundraising	1,165,339	-	1,165,339	1,393,911
Total expenses	8,826,326	-	8,826,326	8,006,505
<b>Change in Net Assets from Operations</b>	1,711,056	(470,037)	1,241,019	(746,422)
<b>Other Changes:</b>				
Unrealized investment (loss) gain	239,532	699,210	938,742	(517,902)
Return of contribution	-	-	-	(611,000)
<b>Change in Net Assets</b>	1,950,588	229,173	2,179,761	(1,875,324)
<b>Net Assets - Beginning of year</b>	4,172,361	7,015,625	11,187,986	13,063,310
<b>Net Assets - End of year</b>	\$ 6,122,949	\$ 7,244,798	\$ 13,367,747	\$ 11,187,986

See accompanying notes to financial statements.

# California State Parks Foundation

## Statement of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021				2020 Total
	Program Services	Management and General	Fundraising	Total	
<b>Personnel Costs:</b>					
Salaries	\$ 1,043,896	\$ 401,753	\$ 271,876	\$ 1,717,525	\$ 2,050,501
Payroll taxes	77,893	28,457	19,712	126,062	149,065
Employee benefits	136,089	53,585	36,847	226,521	239,072
<b>Total personnel costs</b>	<b>1,257,878</b>	<b>483,795</b>	<b>328,435</b>	<b>2,070,108</b>	<b>2,438,638</b>
<b>Expenses:</b>					
Computer expense	271,894	29,667	10,991	312,552	285,911
Consulting	65,104	45,330	17,961	128,395	290,036
Depreciation and loss on disposal	88,691	25,041	21,218	134,950	150,628
Direct grants	2,771,128	-	-	2,771,128	601,280
Direct project expense	152,580	-	-	152,580	511,234
Events	11,188	-	-	11,188	50,136
Insurance	16,738	4,726	4,004	25,468	25,717
Legal fees	3,391	28,951	4,282	36,624	95,360
Membership	1,333,760	226	461,155	1,795,141	2,003,699
Office expense	12,221	4,730	2,865	19,816	211,821
Park policy and advocacy	65,500	-	-	65,500	66,000
Postage and shipping	291,586	124	194,473	486,183	498,673
Printing	52,584	-	22,536	75,120	80,568
Public education and promotion	247,352	571	43,751	291,674	136,818
Recruiting	105	-	-	105	11,307
Rent	261,151	73,732	62,473	397,356	361,275
Repairs and maintenance	-	-	-	-	8,027
Telecommunications	22,704	6,263	5,590	34,557	32,418
Travel	7,919	232	2,452	10,603	74,819
Miscellaneous	(7,453)	31,578	(16,847)	7,278	72,140
<b>Total</b>	<b>\$ 6,926,021</b>	<b>\$ 734,966</b>	<b>\$ 1,165,339</b>	<b>\$ 8,826,326</b>	<b>\$ 8,006,505</b>

See accompanying notes to financial statements.

# California State Parks Foundation

## Statement of Cash Flows

<i>Year Ended June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 2,179,761	\$ (1,875,324)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on investments	(1,150,255)	297,208
Depreciation	134,950	133,534
Discount on pledges receivable	(2,287)	(3,002)
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	645,153	402,177
Prepaid expenses and other assets	(244,461)	(24,510)
Planned gifts and liability to beneficiaries	-	-
Accounts payable and accrued expenses	82,209	29,264
Grants payable	(1,282,873)	(457,391)
Funds held on behalf of others	227	11,133
Deferred revenue	(1,015,000)	(125,000)
Deferred rent	(17,531)	(17,532)
Net cash used in operating activities	(670,107)	(1,629,443)
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(2,493,149)	(12,071,610)
Proceeds from sale of investments	3,909,263	13,145,901
Purchases of property, plant and equipment	(2,300)	(259,962)
Net cash provided by investing activities	1,413,814	814,329
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Paycheck Protection Program loan	-	379,686
Advances drawn on line of credit	-	450,000
Repayments on line of credit	(250,000)	(200,000)
Net cash (used in) provided by financing activities	(250,000)	629,686
<b>Net Change in Cash and Cash Equivalents</b>	<b>493,707</b>	<b>(185,428)</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>1,972,041</b>	<b>2,157,469</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,465,748</b>	<b>\$ 1,972,041</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 3,360	\$ 1,398
Reconciliation of cash and equivalents and restricted cash to amounts shown on the Statement of Financial Position:		
Cash and equivalents	\$ 1,417,042	\$ 923,562
Restricted cash	1,048,706	1,048,479
Total cash and equivalents and restricted cash shown in the statement of cash flows	\$ 2,465,748	\$ 1,972,041

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 two categories of net assets as follows:

##### *Without Donor Restrictions*

This portion of net assets is not limited by donor-imposed stipulations. Net assets without donor restrictions include an operating reserve designated by the Board in the amount of \$4,460,305 as of June 30, 2021.

##### *With Donor Restrictions*

This portion of net assets the use of which 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

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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. 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, 2021, the Foundation recorded in-kind donations of \$275,330 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 \$1,048,706 in cash on behalf of others as of June 30, 2021.

### 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

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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 \$2,771,128 for the year ended June 30, 2021 were unconditional in nature and were recorded at the time they were approved. There were no grants payable as of June 30, 2021. Additionally, there were no conditional grants as of June 30, 2021.

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, 2021.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# California State Parks Foundation

## Notes to Financial Statements

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### 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, 2020 from which the summarized information was derived.

### m. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2021 through May 6, 2022, the date these financial statements were available to be issued. Except as described in Note 15, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

### n. Recent Accounting Pronouncements

*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

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In September 2020, The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective is to clarify the presentation and disclosure of contributed nonfinancial assets, specifically the type of nonfinancial assets were received and how they are used and recognized by the organization. The guidance does not change the accounting and recognition of nonfinancial assets, and is effective for fiscal years beginning after June 15, 2021. The Foundation does not believe the ASU will have a significant impact to its financial statements.

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

Contributions, grants and other accounts receivable consisted of the following as of June 30, 2021:

Contributions receivable	\$ 50,000
Other receivables	250,567
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	300,567
Less discount	(2,336)
	<hr/>
Total	\$ 298,231

Receivables are expected to be collected over the following periods:

Less than one year	\$ 275,567
One to five years	25,000
Less discount on multi-year pledge	(2,336)
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Total	\$ 298,231

# California State Parks Foundation

## Notes to Financial Statements

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### Note 4 - Investments:

At June 30, 2021, the fair value of investments consisted of the following:

Cash and equivalents	\$ 2,825,790
Equities	4,074,746
Fixed income	4,703,339
Alternatives	314,720
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	\$ 11,918,595

Investment income for the year ended June 30, 2021 included the following:

Interest and dividends, net of fees	\$ 206,592
Realized gains	211,513
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Investment income, net	418,105
Unrealized gains	938,742
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Total investment return, net	\$ 1,356,847

Total investment income includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year ended June 30, 2021 of \$42,013 are netted against interest and dividends above.

Investments in the amount of \$2,346,802 are pledged as collateral to the liquidity access line described in Note 7.

# California State Parks Foundation

## Notes to Financial Statements

### Note 5 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value at June 30, 2021 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments (see Note 4):			
Cash and equivalents	\$ 2,825,790		\$ 2,825,790
Exchange traded funds – global equities	1,993,554		1,993,554
Equities – large cap	1,702,883		1,702,883
Equities – international and emerging markets	378,309		378,309
Fixed Income:			
Corporate bonds and notes		\$ 804,785	804,785
Government securities		770,347	770,347
Municipal securities		331,630	331,630
Mutual funds		2,789,007	2,789,007
Preferred securities		7,570	7,570
Alternatives	314,720		314,720
	<u>\$ 7,215,256</u>	<u>\$ 4,703,339</u>	<u>\$ 11,918,595</u>

### *Other financial instruments*

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

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

Property, plant and equipment at June 30, 2021 consisted of the following:

Furniture and equipment	\$ 131,358
Software development costs	409,945
Construction in progress	2,300
Less accumulated depreciation	(317,747)
	<u>\$ 225,856</u>

Depreciation expense amounted to \$134,950 for the year ended June 30, 2021.

# California State Parks Foundation

## Notes to Financial Statements

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### 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 line provides up to \$1,500,000 at a variable interest rate of LIBOR plus an applicable rate or fixed interest rate. The interest rate was 1.43% per annum as of June 30, 2021. The outstanding balance was \$0 as of June 30, 2021.

### Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions were available for the following purposes at June 30, 2021:

Time and purpose restrictions:	
Program services	\$ 2,581,000
Unappropriated endowment income	1,733,979
Planned giving and memorials	21,045
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Total time and purpose restrictions	4,336,024
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Perpetual restrictions:	
Endowment	2,908,774
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Total perpetual restrictions	2,908,774
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Total net assets with donor restrictions	\$ 7,244,798

Net assets with donor restrictions of \$3,167,458 were released during 2021 in accordance with the donors' intentions.

### 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.



# California State Parks Foundation

## Notes to Financial Statements

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### *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, 2021.

### *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.

# California State Parks Foundation

## Notes to Financial Statements

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### *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, 2021 were as follows:

	<u>With Donor Restrictions</u>		
	Time and Purpose	Perpetuity	Total
Donor-restricted endowment funds	\$ 1,733,979	\$ 2,908,774	\$ 4,642,753
Total endowment funds	\$ 1,733,979	\$ 2,908,774	\$ 4,642,753

# California State Parks Foundation

## Notes to Financial Statements

Endowment activity by net asset classification for the year ended June 30, 2021 was as follows:

	<u>With Donor Restrictions</u>		Total
	Time and Purpose	Perpetuity	
Endowment net assets, beginning of year	\$ 849,635	\$ 2,908,774	\$ 3,758,409
Investment return:			
Income	133,379		133,379
Net realized and unrealized loss	849,580		849,580
<u>Total investment return</u>	<u>982,959</u>		<u>982,959</u>
Appropriation for expenditure	(98,615)		(98,615)
Endowment net assets, end of year	\$ 1,733,979	\$ 2,908,774	\$ 4,642,753

### Note 10 - Joint Costs:

In 2021, the Foundation incurred joint costs of \$2,666,111 for informational materials and activities that included fundraising appeals. Of those costs, \$1,937,876 was allocated to program services and \$728,235 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 \$71,780 during the year ended June 30, 2021.

# California State Parks Foundation

## Notes to Financial Statements

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### 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, 2021 were as follows:

Year Ending June 30,	
2022	\$ 365,593
2023	371,876
2024	344,000
2025	263,761
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	\$ 1,345,230

Rental expense under these agreements for the year ended June 30, 2021 was \$397,357.

### 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 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

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### Note 14 - Availability and Liquidity:

As of June 30, 2021, the Foundation's financial assets available within one year for general expenditures were as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,417,042
Cash and cash equivalents held on behalf of others	1,048,706
Contributions, grants, and other receivables, net	298,231
Investments	11,918,595
	<hr/>
	14,682,574
Less amounts not available to be used within one year:	
Funds held for others	(1,048,706)
Long term receivables	(25,000)
Net assets with donor restrictions	(7,244,798)
Board designated reserve	(4,460,305)
	<hr/>
Financial assets available to meet general expenditures within one year	\$ 1,903,765

The Foundation has a \$1,500,000 line of credit as described in Note 7. Additionally, the Board designated reserve of \$4,460,305 can be made available at the Board's discretion.

### Note 15 - PPP Loan Payable:

In May 2020, the Foundation received a Paycheck Protection Program (PPP) loan in the amount of \$379,686 at 1% interest per annum. The maturity date is two years from the date of first disbursement. The Foundation received notification in August 2021 that forgiveness was granted at which time the forgiveness was recognized as revenue.