

CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2022

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

Opinion

We have audited the financial statements of **CALIFORNIA STATE PARKS FOUNDATION (the Foundation)** which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HOOD & STRONG LLP

San Francisco, California
May 4, 2023

California State Parks Foundation

Statement of Financial Position

<i>June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 3,256,838	\$ 1,417,042
Cash and cash equivalents held on behalf of others	1,049,884	1,048,706
Contributions, grants, and other receivables, net	141,120	298,231
Prepaid expenses and other assets	579,623	529,124
Investments	11,133,372	11,918,595
Property, plant, and equipment, net	100,103	225,856
Total assets	\$ 16,260,940	\$ 15,437,554
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 417,853	\$ 332,246
Funds held on behalf of others	1,049,884	1,048,706
Paycheck Protection Program (PPP) loan	-	379,686
Deferred revenue	-	241,965
Deferred rent	49,672	67,204
Total liabilities	1,517,409	2,069,807
Net Assets:		
Without donor restrictions:		
Undesignated	2,616,119	1,662,644
Board designated operating reserve	4,364,124	4,460,305
Total net assets without donor restrictions	6,980,243	6,122,949
With donor restrictions:		
Time and purpose restrictions	4,854,514	4,336,024
Perpetual restrictions	2,908,774	2,908,774
Total net assets with donor restrictions	7,763,288	7,244,798
Total net assets	14,743,531	13,367,747
Total liabilities and net assets	\$ 16,260,940	\$ 15,437,554

See accompanying notes to the financial statements.

California State Parks Foundation

Statement of Activities

Year Ended June 30, 2022 (with comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Contributions and grants	\$ 2,821,245	\$ 1,138,287	\$ 3,959,532	\$ 5,209,603
Membership dues	4,350,407	-	4,350,407	3,841,126
Donated goods and services	1,115,557	-	1,115,557	275,330
Bequests	175,091	130,916	306,007	220,558
Investment income, net	114,605	220,538	335,143	418,105
Other income	203,050	7,799	210,849	102,623
Net assets released from restrictions	242,721	(242,721)	-	-
Total revenues and support	9,022,676	1,254,819	10,277,495	10,067,345
Expenses:				
Program services	6,056,448	-	6,056,448	6,926,021
Management and general	562,902	-	562,902	734,966
Fundraising	1,542,169	-	1,542,169	1,165,339
Total expenses	8,161,519	-	8,161,519	8,826,326
Change in Net Assets from Operations	861,157	1,254,819	2,115,976	1,241,019
Other Changes:				
Unrealized investment (loss) gain	(383,549)	(736,329)	(1,119,878)	938,742
Gain on extinguishment of PPP loan	379,686	-	379,686	-
Change in Net Assets	857,294	518,490	1,375,784	2,179,761
Net Assets - Beginning of year	6,122,949	7,244,798	13,367,747	11,187,986
Net Assets - End of year	\$ 6,980,243	\$ 7,763,288	\$ 14,743,531	\$ 13,367,747

See accompanying notes to the financial statements.

California State Parks Foundation

Statement of Functional Expenses

Year Ended June 30, 2022 (with comparative totals for 2021)

	2022				2021 Total
	Program Services	Management and General	Fundraising	Total	
Personnel Costs:					
Salaries	\$ 1,109,725	\$ 282,640	\$ 247,802	\$ 1,640,167	\$ 1,717,525
Payroll taxes	80,621	14,545	17,576	112,742	126,062
Employee benefits	150,608	38,448	36,080	225,136	226,521
Total personnel costs	1,340,954	335,633	301,458	1,978,045	2,070,108
Expenses:					
Computer expense	292,471	57,530	36,999	387,000	312,552
Consulting	90,375	35,068	15,314	140,757	128,395
Depreciation	91,935	21,451	15,596	128,982	134,950
Direct grants	648,226	-	-	648,226	2,771,128
Direct project expense	303,628	14	27	303,669	152,580
Events	29,697	-	5,579	35,276	11,188
Insurance	17,914	4,180	3,039	25,133	25,468
Legal fees	6,428	35,757	40	42,225	36,624
Membership	1,946,590	458	813,788	2,760,836	1,795,141
Office expense	8,277	2,624	1,274	12,175	19,816
Park policy and advocacy	61,000	-	-	61,000	65,500
Postage and shipping	320,212	297	213,288	533,797	486,183
Printing	60,290	-	19,481	79,771	75,120
Public education and promotion	351,076	-	57,712	408,788	291,674
Recruiting	400	105	1,220	1,725	105
Rent	269,713	62,931	45,756	378,400	397,356
Repairs and maintenance	-	-	-	-	-
Telecommunications	17,349	3,913	3,001	24,263	34,557
Travel	102,446	2,815	8,397	113,658	10,603
Miscellaneous	97,467	126	200	97,793	7,278
Total	\$ 6,056,448	\$ 562,902	\$ 1,542,169	\$ 8,161,519	\$ 8,826,326

See accompanying notes to the financial statements.

California State Parks Foundation

Statement of Cash Flows

<i>Year Ended June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,375,784	\$ 2,179,761
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain) on investments	960,554	(1,150,255)
Depreciation	128,982	134,950
Discount on pledges receivable	(3,103)	(2,287)
Gain on extinguishment of PPP loan	(379,686)	-
Loss on disposal of assets	2,300	-
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	160,214	645,153
Prepaid expenses and other assets	(50,499)	(244,461)
Accounts payable and accrued expenses	85,607	82,209
Grants payable	-	(1,282,873)
Funds held on behalf of others	1,178	227
Deferred revenue	(241,965)	(1,015,000)
Deferred rent	(17,532)	(17,531)
Net cash provided by (used in) operating activities	2,021,834	(670,107)
Cash Flows from Investing Activities:		
Purchases of investments	(3,092,454)	(2,493,149)
Proceeds from sale of investments	2,917,123	3,909,263
Purchases of property, plant and equipment	(5,529)	(2,300)
Net cash (used in) provided by investing activities	(180,860)	1,413,814
Cash Flows from Financing Activities:		
Repayments on line of credit	-	(250,000)
Net cash used in financing activities	-	(250,000)
Net Change in Cash and Cash Equivalents	1,840,974	493,707
Cash and Cash Equivalents - Beginning of year	2,465,748	1,972,041
Cash and Cash Equivalents - End of year	\$ 4,306,722	\$ 2,465,748
Supplemental Cash Flow Information:		
Cash paid for interest	\$ -	\$ 3,360
Reconciliation of cash and equivalents and restricted cash to amounts shown on the Statement of Financial Position:		
Cash and equivalents	3,256,838	1,417,042
Restricted cash	1,049,884	1,048,706
Total cash and equivalents and restricted cash shown in the statement of cash flows	\$ 4,306,722	\$ 2,465,748

See accompanying notes to the financial statements.

California State Parks Foundation

Notes to the 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 279 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 use of 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 of Trustees in the amount of \$4,364,124 as of June 30, 2022.

With Donor Restrictions

The use of this portion of net assets 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 the 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, 2022, the Foundation recorded in-kind donations of \$1,115,557 for membership premiums, goods, 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 \$1,049,884 in cash on behalf of others as of June 30, 2022.

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 the 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 Expense

Grants in the amount of \$648,226 for the year ended June 30, 2022 were unconditional in nature and were recorded at the time they were approved. There were no grants payable as of June 30, 2022. Additionally, there were no conditional grants outstanding as of June 30, 2022.

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 Revenue and Taxation 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, 2022.

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 the 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, 2021 from which the summarized information was derived.

m. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2022 through May 4, 2023, 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.

n. Recent Accounting Pronouncements

Pronouncement Adopted

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 adoption of this ASU by the Foundation as of July 1, 2021 had no significant impact on its financial statements.

California State Parks Foundation

Notes to the Financial Statements

Pronouncement effective in the future:

In February 2016, the 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.

Note 3 - Contributions, Grants and Other Receivables:

Contributions, grants and other accounts receivable consisted of the following as of June 30, 2022:

Contributions receivable	\$	50,000
Grants receivable		87,171
Other receivables		7,052
		<hr/>
		144,223
Less discount		(3,103)
		<hr/>
Total	\$	141,120

Receivables are expected to be collected over the following periods:

Less than one year	\$	109,223
One to five years		35,000
Less discount on multi-year pledge		(3,103)
		<hr/>
Total	\$	141,120

California State Parks Foundation

Notes to the Financial Statements

Note 4 - Investments:

At June 30, 2022, investments, at fair value, consisted of the following:

Cash and equivalents	\$ 157,344
Equities	4,444,376
Fixed income	6,531,652
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	\$ 11,133,372

Investment income for the year ended June 30, 2022 included the following:

Interest and dividends, net of fees	\$ 175,819
Realized gains	159,324
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Investment income, net	335,143
Unrealized loss	(1,119,878)
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Total investment loss, net	\$ (784,735)

Total investment income includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year ended June 30, 2022 of \$41,819 are netted against interest and dividends above.

Investments in the amount of \$2,048,911 are pledged as collateral to the liquidity access line described in Note 7.

California State Parks Foundation

Notes to the Financial Statements

Note 5 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value at June 30, 2022 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments (see Note 4):			
Cash and equivalents	\$ 157,344		\$ 157,344
Exchange traded funds – global equities	2,283,929		2,283,929
Equities – large cap	1,913,705		1,913,705
Equities – structured	246,742		246,742
Fixed Income:			
Corporate bonds and notes		\$ 630,886	630,886
Government securities		757,405	757,405
Municipal securities		305,635	305,635
Mutual funds		4,837,726	4,837,726
	<u>\$ 4,601,720</u>	<u>\$ 6,531,652</u>	<u>\$ 11,133,372</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, 2022 consisted of the following:

Furniture and equipment	\$ 110,854
Software development costs	409,945
Less accumulated depreciation	(420,696)
	<u>\$ 100,103</u>

Depreciation expense amounted to \$128,982 for the year ended June 30, 2022.

California State Parks Foundation

Notes to the Financial Statements

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 2.39% per annum as of June 30, 2022. The outstanding balance was \$0 as of June 30, 2022.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions were available for the following purposes at June 30, 2022:

Time and purpose restrictions:	
Program services	\$ 3,743,874
Unappropriated endowment income	1,089,595
Planned giving and memorials	21,045
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Total time and purpose restrictions	4,854,514
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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	\$ 7,763,288

Net assets with donor restrictions of \$242,721 were released during 2022 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 the Financial Statements

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, 2022.

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 the Financial Statements

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, 2022 were as follows:

	<u>With Donor Restrictions</u>		
	Time and Purpose	Perpetuity	Total
Donor-restricted endowment funds	\$ 1,089,595	\$ 2,908,774	\$ 3,998,369
Total endowment funds	\$ 1,089,595	\$ 2,908,774	\$ 3,998,369

California State Parks Foundation

Notes to the Financial Statements

Endowment activity by net asset classification for the year ended June 30, 2022 was as follows:

	<u>With Donor Restrictions</u>		
	Time and Purpose	Perpetuity	Total
Endowment net assets, beginning of year	\$ 1,733,979	\$ 2,908,774	\$ 4,642,753
Investment return:			
Income	106,772		106,772
Net realized and unrealized loss	(624,667)		(624,667)
Total investment return	(517,895)		(517,895)
Appropriation for expenditure	(126,489)		(126,489)
Endowment net assets, end of year	\$ 1,089,595	\$ 2,908,774	\$ 3,998,369

Note 10 - Joint Costs:

In 2022, the Foundation incurred joint costs of \$4,077,913 for informational materials and activities that included fundraising appeals. Of those costs, \$2,946,926 was allocated to program services and \$1,129,743 was allocated to fundraising.

Note 11 - Donated Goods and Services:

The table below presents donated goods and services by both their nature and their function for the year ended June 30, 2022:

	Program Services	Management and General	Fundraising	Total
Direct project - volunteer	\$ 253,991			\$ 253,991
Membership – premiums	807,552		\$ 2,414	809,966
Travel	45,950		4,050	50,000
Consulting		\$ 1,600		1,600
Total	\$ 1,107,493	\$ 1,600	\$ 6,464	\$ 1,115,557

California State Parks Foundation

Notes to the Financial Statements

Note 12 - 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 \$62,205 during the year ended June 30, 2022.

Note 13 - 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, 2022 were as follows:

Year Ending	
June 30,	
2023	\$ 371,876
2024	344,000
2025	263,761
	<hr/>
	\$ 979,637

Rental expense under these agreements for the year ended June 30, 2022 was \$378,400.

Note 14 - 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.

California State Parks Foundation

Notes to the Financial Statements

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.

Note 15 - Availability and Liquidity:

As of June 30, 2022, the Foundation's financial assets available within one year for general expenditures were as follows:

Financial assets:	
Cash and cash equivalents	\$ 3,256,838
Cash and cash equivalents held on behalf of others	1,049,884
Contributions, grants, and other receivables, net	141,120
Investments	11,133,372
	<hr/>
	15,581,214
Less amounts not available to be used within one year:	
Funds held for others	(1,049,884)
Long term receivables	(31,897)
Net assets with donor restrictions	(7,763,288)
Board designated reserve	(4,364,124)
	<hr/>
Financial assets available to meet general expenditures within one year	\$ 2,372,021

The Foundation has a \$1,500,000 line of credit as described in Note 7. Additionally, the Board designated reserve of \$4,364,124 can be made available at the Board's discretion.

California State Parks Foundation

Notes to the Financial Statements

Note 16 - 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.