

CALIFORNIA STATE PARKS FOUNDATION

JUNE 30, 2023

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

California State Parks Foundation

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
March 12, 2024

California State Parks Foundation

Statement of Financial Position

<i>June 30, 2023 (with comparative totals for 2022)</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 1,687,117	\$ 3,256,838
Cash and cash equivalents held on behalf of others	1,085,962	1,049,884
Contributions, grants, and other receivables, net	140,517	141,120
Prepaid expenses and other assets	583,080	579,623
Investments	12,882,434	11,133,372
Right-of-use asset	1,910,748	
Property, plant, and equipment, net	2,611	100,103
Total assets	\$ 18,292,469	\$ 16,260,940
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 374,913	\$ 417,853
Funds held on behalf of others	1,085,962	1,049,884
Lease liability	1,925,174	
Deferred rent		49,672
Total liabilities	3,386,049	1,517,409
Net Assets:		
Without donor restrictions:		
Undesignated	1,867,167	2,616,119
Board designated operating reserve	5,402,040	4,364,124
Total net assets without donor restrictions	7,269,207	6,980,243
With donor restrictions:		
Time and purpose restrictions	4,728,439	4,854,514
Perpetual restrictions	2,908,774	2,908,774
Total net assets with donor restrictions	7,637,213	7,763,288
Total net assets	14,906,420	14,743,531
Total liabilities and net assets	\$ 18,292,469	\$ 16,260,940

See accompanying notes to the financial statements.

California State Parks Foundation

Statement of Activities

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Contributions and grants	\$ 2,798,478	\$ 738,314	\$ 3,536,792	\$ 3,959,532
Membership dues	3,976,556		3,976,556	4,350,407
Donated goods and services	423,389	50,000	473,389	1,115,557
Bequests	789,561	41,483	831,044	306,007
Investment income, net	180,837	255,501	436,338	335,143
Other income	76,526	6,143	82,669	118,117
Net assets released from restrictions	1,359,908	(1,359,908)	-	-
Total revenues and support	9,605,255	(268,467)	9,336,788	10,184,763
Expenses:				
Program services	6,993,341		6,993,341	5,963,716
Management and general	563,497		563,497	562,902
Fundraising	1,859,119		1,859,119	1,542,169
Total expenses	9,415,957	-	9,415,957	8,068,787
Change in Net Assets from Operations	189,298	(268,467)	(79,169)	2,115,976
Other Changes:				
Unrealized investment gain (loss)	99,666	142,392	242,058	(1,119,878)
Gain on extinguishment of PPP loan			-	379,686
Change in Net Assets	288,964	(126,075)	162,889	1,375,784
Net Assets - Beginning of year	6,980,243	7,763,288	14,743,531	13,367,747
Net Assets - End of year	\$ 7,269,207	\$ 7,637,213	\$ 14,906,420	\$ 14,743,531

See accompanying notes to the financial statements.

California State Parks Foundation

Statement of Functional Expenses

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023				2022 Total
	Program Services	Management and General	Fundraising	Total	
Personnel Costs:					
Salaries	\$ 1,390,170	\$ 277,625	\$ 293,749	\$ 1,961,544	\$ 1,640,167
Payroll taxes	101,650	19,670	20,802	142,122	112,742
Employee benefits	165,506	33,831	31,227	230,564	225,136
Total personnel costs	1,657,326	331,126	345,778	2,334,230	1,978,045
Expenses:					
Computer expense	293,605	49,205	36,620	379,430	387,000
Consulting	68,422	63,404	12,121	143,947	140,757
Depreciation	70,781	12,748	12,586	96,115	128,982
Direct grants	1,566,422			1,566,422	648,226
Direct project expense	440,143	730	26,236	467,109	303,669
Events	14,001		2,294	16,295	35,276
Insurance	20,087	3,596	3,604	27,287	25,133
Legal fees	1,087			1,087	42,225
Membership	1,591,745		937,924	2,529,669	2,760,836
Office expense	13,302	2,494	1,774	17,570	12,175
Park policy and advocacy	60,000			60,000	61,000
Postage and shipping	403,698	302	267,760	671,760	533,797
Printing	96,225	415	30,930	127,570	79,771
Public education and promotion	300,222		117,205	417,427	408,788
Recruiting	896	173	141	1,210	1,725
Rent	278,807	49,899	50,050	378,756	378,400
Telecommunications	21,985	3,987	3,961	29,933	24,263
Travel	93,579	45,255	11,054	149,888	113,658
Miscellaneous	1,008	163	(919)	252	5,061
Total	\$ 6,993,341	\$ 563,497	\$ 1,859,119	\$ 9,415,957	\$ 8,068,787

See accompanying notes to the financial statements.

California State Parks Foundation

Statement of Cash Flows

<i>Year Ended June 30, 2023 (with comparative totals for 2022)</i>	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 162,889	\$ 1,375,784
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(371,893)	960,554
Depreciation	96,115	128,982
Amortization of right-of-use asset	219,380	
Discount on pledges receivable	1,198	(3,103)
Gain on extinguishment of PPP loan		(379,686)
Loss on disposal of assets	1,377	2,300
Changes in operating assets and liabilities:		
Contributions, grants and other receivables	(595)	160,214
Prepaid expenses and other assets	(3,457)	(50,499)
Accounts payable and accrued expenses	(42,940)	85,607
Lease liability	(204,954)	
Funds held on behalf of others	36,078	1,178
Deferred revenue		(241,965)
Deferred rent	(49,672)	(17,532)
Net cash (used in) provided by operating activities	(156,474)	2,021,834
Cash Flows from Investing Activities:		
Purchases of investments	(4,795,719)	(3,092,454)
Proceeds from sale of investments	3,418,550	2,917,123
Purchases of property, plant and equipment		(5,529)
Net cash (used in) investing activities	(1,377,169)	(180,860)
Net Change in Cash and Cash Equivalents	(1,533,643)	1,840,974
Cash and Cash Equivalents - beginning of year	4,306,722	2,465,748
Cash and Cash Equivalents - end of year	\$ 2,773,079	\$ 4,306,722
Supplemental Cash Flow Information:		
Reconciliation of cash and equivalents and restricted cash to amounts shown on the Statement of Financial Position:		
Cash and equivalents	\$ 1,687,117	\$ 3,256,838
Restricted cash	1,085,962	1,049,884
Total cash and equivalents and restricted cash shown in the statement of cash flows	\$ 2,773,079	\$ 4,306,722
Operating lease right-of-use assets acquired with lease liabilities	\$ 2,130,128	

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 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 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 \$5,402,040 as of June 30, 2023.

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.

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 \$1,085,962 in cash on behalf of others as of June 30, 2023.

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. Leases

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize their borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset class. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

g. Property, Plant, and Equipment

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

California State Parks Foundation

Notes to the Financial Statements

h. Grants Expense

Grants in the amount of \$1,566,422 for the year ended June 30, 2023 were unconditional in nature and were recorded at the time they were approved. There were no grants payable as of June 30, 2023. Additionally, there were no conditional grants outstanding as of June 30, 2023.

i. 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 expended by the Foundation's management.

j. 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, 2023.

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.

k. 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.

l. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

California State Parks Foundation

Notes to the Financial Statements

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.

m. Prior Year Summarized 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, 2022 from which the summarized information was derived.

n. Reclassifications

Certain prior year amounts in the accompanying financial statements and notes have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Foundation's change in net assets as previously reported.

o. Recent Accounting Pronouncements

Pronouncement adopted:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Foundation adopted Topic 842 on July 1, 2022, using the modified retrospective approach and the optional transition method which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under prior guidance.

California State Parks Foundation

Notes to the Financial Statements

The Foundation elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Foundation’s operating leases of approximately \$2,130,000 at July 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Pronouncement effective in the future:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. These changes will result in more timely recognition of credit losses. The guidance is effective for fiscal years beginning after December 15, 2022. The Foundation is currently evaluating the impact this guidance may have on its financial statements.

p. Subsequent Events

The Foundation has evaluated subsequent events from June 30, 2023 through March 12, 2024, 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.

Note 3 - Contributions, Grants and Other Receivables:

Contributions, grants and other accounts receivable consisted of the following as of June 30, 2023:

Contributions receivable	\$ 125,000
Grants receivable	10,000
Other receivables	7,423
	<hr/>
	142,423
Less discount to present value on multi-year pledge	(1,906)
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Total	\$ 140,517

California State Parks Foundation

Notes to the Financial Statements

Receivables are expected to be collected over the following periods:

Less than one year	\$	142,423
One to five years		-
Less discount to present value on multi-year pledge		(1,906)
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Total	\$	140,517

Note 4 - Investments:

At June 30, 2023, investments, at fair value, consisted of the following:

Cash and equivalents	\$	179,528
Equities		4,673,394
Fixed income		8,029,512
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	\$	12,882,434

Investment income for the year ended June 30, 2023 included the following:

Interest and dividends, net of fees	\$	306,504
Realized gains		129,834
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Investment income, net		436,338
Unrealized gain		242,058
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Total investment gain, net	\$	678,396

Total investment income includes endowment and non-endowment investment activities. Investment expenses incurred during the fiscal year ended June 30, 2023 of \$42,164 are netted against interest and dividends above.

Investments in the amount of \$3,000,736 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, 2023 on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments (see Note 4):			
Cash and equivalents	\$ 179,528		\$ 179,528
Exchange traded funds – global equities	2,725,734		2,725,734
Equities – large cap	1,947,660		1,947,660
Equities – structured			
Fixed Income:			
Corporate bonds and notes		\$ 657,764	657,764
Government securities		929,015	929,015
Municipal securities		329,504	329,504
Mutual funds		6,113,229	6,113,229
	\$ 4,852,922	\$ 8,029,512	\$ 12,882,434

Other financial instruments

The cost basis of amounts recorded for 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, 2023 consisted of the following:

Furniture and equipment	\$ 88,503
Software development costs	409,945
Less accumulated depreciation	(495,837)
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	\$ 2,611

Depreciation expense amounted to \$96,115 for the year ended June 30, 2023.

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 6.42% per annum as of June 30, 2023. The outstanding balance was \$0 as of June 30, 2023.

Note 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions were available for the following purposes at June 30, 2023:

Time and purpose restrictions:

Program services	\$ 3,378,711
Unappropriated endowment income	1,328,683
Planned giving and memorials	21,045

Total time and purpose restrictions	4,728,439
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Perpetual restrictions:

Endowment	2,908,774
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Total net assets with donor restrictions	\$ 7,637,213
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Net assets with donor restrictions of \$1,359,908 were released during 2023 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, 2023.

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, 2023 were as follows:

	<u>With Donor Restrictions</u>		
	Time and Purpose	Perpetuity	Total
Donor-restricted endowment funds	\$ 1,328,683	\$ 2,908,774	\$ 4,237,457
<u>Total endowment funds</u>	<u>\$ 1,328,683</u>	<u>\$ 2,908,774</u>	<u>\$ 4,237,457</u>

California State Parks Foundation

Notes to the Financial Statements

Endowment activity by net asset classification for the year ended June 30, 2023 was as follows:

	<u>With Donor Restrictions</u>		
	Time and Purpose	Perpetuity	Total
<u>Endowment net assets, beginning of year</u>	<u>\$ 1,089,595</u>	<u>\$ 2,908,774</u>	<u>\$ 3,998,369</u>
Investment return:			
Income	89,549		89,549
Net realized and unrealized loss	246,251		246,251
<u>Total investment return</u>	<u>335,800</u>		<u>335,800</u>
<u>Appropriation for expenditure</u>	<u>(96,712)</u>		<u>(96,712)</u>
<u>Endowment net assets, end of year</u>	<u>\$ 1,328,683</u>	<u>\$ 2,908,774</u>	<u>\$ 4,237,457</u>

Note 10 - Joint Costs:

In 2023, the Foundation incurred joint costs of \$4,299,331 for informational materials and activities that included fundraising appeals. Of those costs, \$2,913,828 was allocated to program services and \$1,385,503 was allocated to fundraising.

Note 11 - Donated Goods and Services:

During the year ended June 30, 2023, the Foundation recorded in-kind donations of \$473,389 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.

The value of direct project hours received from volunteers is calculated using an hourly rate specific to California volunteers derived from an independent third-party. The value of goods and travel is based on market rates typically charged for those items in the normal course of business for similar services and products.

California State Parks Foundation

Notes to the Financial Statements

The table below presents donated goods and services by both their nature and their function for the year ended June 30, 2023:

	Program Services	Management and General	Fundraising	Total
Direct project - volunteer	\$ 342,247			\$ 342,247
Goods	30,248		\$ 894	31,142
Travel	45,400	\$ 51,900	2,700	100,000
Total	\$ 417,895	\$ 51,900	\$ 3,594	\$ 473,389

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 \$74,550 during the year ended June 30, 2023.

Note 13 - Commitments:

Operating Leases:

The Foundation leases real estate under an operating lease agreement which extends into 2025. The lease includes a renewal option to extend the lease term. The lease does not contain any material residual value guarantees or material restrictive covenants. The lease contains a termination option, where the rights to terminate are held by either the Foundation, the lessor, or both parties. This option to extend or terminate a lease is reflected in the right-of-use calculations when it is reasonably certain that the Foundation will exercise that option.

The Foundation used the implicit rate contained in the lease agreement in determining the present value of lease payments. Minimum rent payments are expensed on a straight-line basis over the term of the lease.

Rent expense was \$378,756 for the year ended June 30, 2023.

California State Parks Foundation

Notes to the Financial Statements

As of June 30, 2023, the Foundation's operating lease asset and liability consisted of the following:

Operating lease asset	\$ 1,910,748
Current operating lease liability	\$ 228,874
Non-current operating lease liability	1,696,300
	\$ 1,925,174

The future schedule of payments on the operating lease is summarized as follows:

Years Ending December 31,	
2024	\$ 344,000
2025	351,682
2026	351,682
2027	351,682
2028	351,682
Thereafter	615,444
	2,366,172
Less discount to present value	(440,998)
Total	\$ 1,925,174

The weighted average remaining lease term as of June 30, 2023 was approximately 6.67 years. The weighted average discount rate as of June 30, 2023 was 6.42%.

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.

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.

California State Parks Foundation

Notes to the Financial Statements

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, 2023, the Foundation's financial assets available within one year for general expenditures were as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,687,117
Cash and cash equivalents held on behalf of others	1,085,962
Contributions, grants, and other receivables, net	140,517
Investments	12,882,434
	<hr/>
	15,796,030
Less amounts not available to be used within one year:	
Funds held for others	(1,085,962)
Net assets with donor restrictions	(7,637,213)
Board-designated reserve	(5,402,040)
	<hr/>
Financial assets available to meet general expenditures within one year	\$ 1,670,815

The Foundation has a \$1,500,000 line of credit as described in Note 7. Additionally, the Board-designated reserve of \$5,402,040 can be made available at the Board's discretion.

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 was two years from the date of first disbursement. The Foundation received notification in August 2021 that forgiveness was granted.