

Fullerton Arboretum Authority

Fullerton, California

Financial Statements and Independent Auditors' Report

For the years ended June 30, 2011 and 2010

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

Fullerton Arboretum Authority
For the years ended June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of the
Fullerton Arboretum Authority
Fullerton, California

We have audited the accompanying statements of net assets of the Fullerton Arboretum Authority (the "Authority") as of and for the years ended June 30, 2011 and 2010, and related statements of revenues, expenses and changes in net assets and cash flows, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined this is an essential part of the financial statements for placing the financial statements in an appropriate operational, economic, or historic context, although not required to be part of the basic financial statements.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
March 19, 2012

Fullerton Arboretum Authority

Statements of Net Assets

June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalent (Note 2)	\$ 622,336	\$ 601,222
Accounts receivable	61,366	14,928
Prepaid expenses	11,157	10,954
Total current assets	694,859	627,104
Capital assets, net (Note 4)	2,947,853	3,070,412
Total assets	\$ 3,642,712	\$ 3,697,516
LIABILITIES AND FUND EQUITY		
Liabilities		
Current liabilities:		
Accounts payable	\$ 364	\$ 7,650
Accrued vacation and benefits	55,394	53,680
Total liabilities	55,758	61,330
Net Assets		
Unrestricted		
Undesignated	3,586,954	3,636,186
Total unrestricted net assets	3,586,954	3,636,186
Total net assets	3,586,954	3,636,186
Total liabilities and net assets	\$ 3,642,712	\$ 3,697,516

The accompanying Notes are an integral part of these Financial Statements.

Fullerton Arboretum Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2011 and 2010

	2011	2010
REVENUES		
Contributions (Note 3)	\$ 867,703	\$ 918,582
Program fees	30,298	29,250
Facility fees	15,608	18,772
Total revenues	913,609	966,604
EXPENSES		
Salaries and benefits	620,207	585,190
Supplies and services	11,241	47,058
Contractual services	71,042	41,654
Telephone	3,142	3,415
Utility	31,492	32,034
Postage	369	731
Insurance	22,485	24,884
Printing and duplicating	12,155	2,763
Travel	911	186
Advertising and public relations	6,821	4,761
Equipment leases	2,041	2,447
Depreciation	178,989	164,614
Miscellaneous	4,651	632
Total expenses	965,546	910,369
OPERATING INCOME (LOSS)	(51,937)	56,235
NONOPERATING INCOME (LOSS)		
Interest income	774	3,339
Other revenue	2,417	6,192
Loss on disposal of equipment	(486)	-
Total nonoperating income (loss)	2,705	9,531
INCREASE (DECREASE) IN NET ASSETS	(49,232)	65,766
NET ASSETS		
Beginning of year	3,636,186	3,570,420
End of year	<u>\$ 3,586,954</u>	<u>\$ 3,636,186</u>

The accompanying Notes are an integral part of these Financial Statements.

Fullerton Arboretum Authority
Statements of Cash Flows
For the years ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 867,171	\$ 951,676
Payments to suppliers	(173,839)	(154,153)
Payments to employees	(618,493)	(576,703)
Net cash provided by operating activities	74,839	220,820
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(56,916)	(220,322)
Proceeds from damaged property	-	6,192
Net cash used by capital and related financing activities	(56,916)	(214,130)
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES		
Other Revenue	2,417	-
Net cash provided by noncapital related financing transactions	2,417	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	774	3,339
Net cash provided by investing activities	774	3,339
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,114	10,029
CASH AND CASH EQUIVALENTS		
Beginning of year	601,222	591,193
End of year	\$ 622,336	\$ 601,222
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (51,937)	\$ 56,235
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	178,989	164,614
Change in current assets and liabilities:		
Accounts receivable	(46,438)	(14,928)
Prepaid expenses	(203)	2,571
Accounts payable	(7,286)	3,841
Accrued vacation and benefits	1,714	8,487
Net cash provided by operating activities	\$ 74,839	\$ 220,820

The accompanying Notes are an integral part of these Financial Statements.

Fullerton Arboretum Authority
Notes to Financial Statements
For the years ended June 30, 2011 and 2010

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Fullerton Arboretum Authority (Authority) is a nonprofit governmental agency created on March 24, 1976, through a Joint Powers Agreement (Agreement) between the Redevelopment Agency of the City of Fullerton (Redevelopment Agency) and the Trustees of the California State University and Colleges (Trustees). The purpose of the Authority is to operate, on approximately twenty-six acres of land owned by the Trustees, a public ecological preserve which serves both the City of Fullerton and California State University, as an educational, research, and recreational facility. Subject to the provisions of the Agreement, the Authority's annual operating expenses will be funded by the Fullerton Redevelopment Agency, the Trustees, and contributions from third-party sources, if any. The Agreement shall continue in full force and effect until December 3, 2020, or until repealed by all parties.

B. Governing Commission

The Authority shall be administered by a commission composed of seven members, each serving in his individual capacity as a member of the commission. Members appointed by the Redevelopment Agency shall be residents of the City of Fullerton, California. Members appointed by Trustees and the seventh member, selected by the other six commissioners, shall be residents of Orange County, California.

C. Accounting Standards

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority also has the option of following subsequent private-sector guidance for their proprietary fund, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

D. Significant Accounting Policies

The following is a summary of the significant accounting policies of the Authority:

Proprietary Fund - The financial operations of the Authority are accounted for and reported on as business-type activities.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting, which is defined as the basis of accounting under which expenses are recorded at the time liabilities are incurred, and revenues are recorded when earned.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Fullerton Arboretum Authority
Notes to Financial Statements, Continued
For the years ended June 30, 2011 and 2010

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are held in an interest bearing account held by the Treasurer of the State of California in accordance with the provision of Section 16429.1 of the Government Code for the purpose of investment. For purposes of the statements of cash flows, cash and investments are considered cash and cash equivalents.

The Authority follows the practice of pooling cash with California State University, Fullerton ("CSUF"), CSUF Auxiliary Services Corporation ("CSUF ASC"), and CSUF Philanthropic Foundation. Interest income earned on pooled cash and cash equivalents is allocated to the various funds based on the average monthly invested cash balances in each participating fund.

F. Capital Assets

Capital Assets are recorded at cost, except for donated assets, which are recorded at fair value at the date of receipt. The Authority has set the capitalization threshold for reporting all capital assets at \$5,000. Depreciation on capital assets is computed using the straight-line method of depreciation based on the following estimated useful lives:

Buildings and improvements	30 years
Infrastructure	30 years
Equipment	7 years
Furnishings	7 years
Improvements other than buildings	10 years

G. Accrued Vacation and Benefits

The liability for accrued vacation and benefits is recorded in the accompanying financial statements in the year in which it is incurred.

H. Donated Services and Materials

Services of various administrative and maintenance personnel donated by California State University, Fullerton, Friends of the Arboretum, and the Associated Students of California State University, Fullerton, and other organizations for which there is a basis for measuring the fair value are recorded as contributions and expenses at the time the services are rendered. Donated materials of significant amounts are recorded at their fair value at the date of receipt.

Fullerton Arboretum Authority
Notes to Financial Statements, Continued
For the years ended June 30, 2011 and 2010

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Income Taxes

The Authority was formed and operated exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954. The Authority was suspended for tax purposes in 1985 by the Internal Revenue Service and the State of California Franchise Tax Board. No provision is made for Federal income and California franchise taxes, since the Authority is organized and operated as a nonprofit governmental agency.

J. Net Assets

Net assets, revenues, and expenses are classified as unrestricted, temporarily restricted, and permanently restricted based upon the following criteria:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds, subject to specific donor-imposed restrictions, contingent upon specific performance of a future event or a specific passage of time before the Authority may spend the funds. Temporarily restricted donations for fixed assets are released when the assets are placed into service.
- Permanently restricted net assets are subject to irrevocable donor restrictions, requiring that the assets be maintained in perpetuity.

At June 30, 2011 and 2010, the Authority did not have any restricted net assets.

K. Reclassification

Certain prior year amounts have been reclassified to conform with current year financial presentation. Water, gas, electricity, and sewage in the amounts of \$15,387, \$1,406, \$12,002, and \$3,239, respectively, were reclassified and reported as utility for the year ended June 30, 2011.

2. CASH AND CASH EQUIVALENT

The following is a summary of cash and cash equivalent at June 30, 2011 and 2010.

	2011	2010
Cash deposited with CSUF	\$ 187,210	\$ 237,277
Cash deposited with CSUF ASC	89,462	157,143
Cash deposited with CSUF Philanthropic Foundation	345,664	206,802
Total Cash Deposits	\$ 622,336	\$ 601,222

Fullerton Arboretum Authority
Notes to Financial Statements, Continued
For the years ended June 30, 2011 and 2010

2. CASH AND CASH EQUIVALENT, CONTINUED

For year ended June 30, 2011 and 2010, the Authority did not have deposits under its name with financial institutions. Instead, the Authority deposited and pooled its cash with CSUF, CSUF ASC and CSUF Philanthropic Foundation. The Authority entered into agreements with CSUF, CSUF ASC, and CSUF Philanthropic Foundation where administrative services are provided to the Authority in managing these pooled cash. Funds were held in CSUF, CSUF ASC, and CSUF Philanthropic Foundation's Trust Fund accounts and disbursements were made through check requests.

3. CONTRIBUTIONS

The Authority is supported through contributions of cash, materials, and services by various organizations and private donors. For the years ended June 30, 2011 and 2010, a summary of these contributions which are reflected as revenues in the accompanying financial statements is as follows:

Donors	2011			2010		
	Cash	Materials and Services	Total	Cash	Materials and Services	Total
Fullerton Redevelopment Agency	\$ 193,466	\$ -	\$ 193,466	\$ 191,740	\$ -	\$ 191,740
California State University, Fullerton	-	374,348	374,348	-	358,104	358,104
Friends of the Arboretum	52,000	-	52,000	52,000	-	52,000
Entry donations, garden plots, Chaparral, Fullerton South Rotary and other cash donations	247,889	-	247,889	310,044	6,694	316,738
Total	\$ 493,355	\$ 374,348	\$ 867,703	\$ 553,784	\$ 364,798	\$ 918,582

For the years ended June 30, 2011 and 2010, the Authority received in-kind materials and services donations of \$374,348 and \$364,798 respectively, which were recorded as contributions and expenses at the time the materials were received and the services were rendered.

For the year ended June 30, 2011, the Authority received in-kind volunteer services of 22,521 hours. The fair value of the volunteer services was \$481,049 based on \$21.36 per hour rate provided by the Bureau of Labor Statistics. For the year ended June 30, 2010, the Authority received in-kind volunteer services of 21,531 hours. The fair value of the volunteer services was \$448,921 based on \$20.85 per hour rate provided by the Bureau of Labor Statistics. In accordance with FASB ASC 958-605-25-16 *Accounting for Contributed Services*, the volunteer services described above should not be recognized and were not recognized in the accompanying comparative financial statements.

Fullerton Arboretum Authority
Notes to Financial Statements, Continued
For the years ended June 30, 2011 and 2010

4. CAPITAL ASSETS

Capital Assets as of June 30, 2011 and 2010 were as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Buildings and improvements	\$ 3,695,674	\$ 39,377	\$ -	\$ 3,735,051
Improvements other than buildings	451,333	17,539	-	468,872
Infrastructure	6,287	-	-	6,287
Equipment	99,364	-	(1,134)	98,230
Furnishings	10,000	-	-	10,000
Property, plant and equipment, gross	4,262,658	56,916	(1,134)	4,318,440
Less accumulated depreciation	(1,192,246)	(178,989)	648	(1,370,587)
Capital assets, net	\$ 3,070,412	\$ (122,073)	\$ (486)	\$ 2,947,853

Depreciation expense for the years ended June 30, 2011 and 2010 was \$178,989 and \$164,614 respectively.

5. LEASE COMMITMENT

The Authority leases approximately twenty-six acres of land from the Trustees. The lease expires on December 3, 2020, and requires no lease payments.

6. COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, in the opinion of the Authority's management, there were no outstanding matters that would have a significant effect on the financial position of the Authority.

7. INSURANCE

General Liability

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omissions, and natural disasters for which the Authority carries commercial insurance. The Authority purchases commercial insurance to cover the risk of loss for property and business liability. There are no known claims or incidents that may result in the assertion of material claims arising from potential losses as of June 30, 2011 and 2010.

Fullerton Arboretum Authority
Notes to Financial Statements, Continued
For the years ended June 30, 2011 and 2010

8. REDEVELOPMENT AGENCY OF THE CITY OF FULLERTON

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies, but struck down the Assembly Bill X1 27 which would have provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

The Authority management has evaluated the impact on the dissolution of Redevelopment Agency of the City of Fullerton (the "Redevelopment Agency") and is currently drafting the amendment to the joint power agreement. The City of Fullerton will assume the duty as a successor agency for the Redevelopment Agency. As of March 19, 2012, the date the financial statement was available to be issued, management has not yet executed the amendment to the joint power agreement.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through March 19, 2012, the date the financial statement was available to be issued, require adjustment to, or disclosure in the financial statement.