

FULLERTON ARBORETUM AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2012

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FINANCIAL STATEMENTS

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Guzman & Gray

Certified Public Accountants

4510 East Pacific Coast Highway, Suite 270
Long Beach, California 90804

Mark Gray, C.P.A.
Patrick S. Guzman, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the Commissioners of the
Fullerton Arboretum Authority

We have audited the accompanying financial statements of the Fullerton Arboretum Authority, as of and for the year ended June 30, 2012 as listed in the 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Fullerton Arboretum Authority, as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Fullerton Arboretum Authority has not presented Management's Discussion and Analysis required by Government Standards Board ("GASB") Statement No. 34 that GASB has determined is necessary to supplement, although not required to be part of, the financial statements.



GUZMAN & GRAY CPAS
Long Beach, California
January 14, 2013

FULLERTON ARBORETUM AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

CURRENT ASSETS	
Cash and cash equivalent	\$ 837,068
Prepaid expenses	3,203
TOTAL CURRENT ASSETS	<u>840,271</u>
 FIXED ASSETS	
Capital assets, net	<u>3,146,722</u>
 TOTAL ASSETS	<u><u>\$ 3,986,993</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 26,695
Accrued vacation and benefits	53,639
TOTAL LIABILITIES	<u>80,334</u>
 NET ASSETS	
Unrestricted	3,871,659
Temporarily restricted	35,000
TOTAL NET ASSETS	<u>3,906,659</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,986,993</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

FULLERTON ARBORETUM AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES			
Contributions	\$ 902,776	\$ 35,000	\$ 937,776
Programs fees	102,124		102,124
TOTAL REVENUES	<u>1,004,900</u>	<u>35,000</u>	<u>1,039,900</u>
EXPENSES			
Salaries and benefits	621,397		621,397
Supplies and services	27,753		27,753
Contractual services	49,646		49,646
Telephone	2,870		2,870
Utility	31,492		31,492
Postage	810		810
Insurance	27,909		27,909
Printing and duplicating	9,544		9,544
Travel	1,226		1,226
Advertising and public relations	3,892		3,892
Equipment leases	2,040		2,040
Depreciation	154,376		154,376
In-kind plants and supplies	55,243		55,243
Memberships and subscriptions	1,573		1,573
Maintenance	12,442		12,442
TOTAL EXPENSES	<u>1,002,213</u>		<u>1,002,213</u>
OPERATING INCOME (LOSS)	2,687	35,000	37,687
NONOPERATING INCOME (LOSS)			
Interest income	2,010		2,010
Other revenue	2,662		2,662
TOTAL NONOPERATING INCOME (LOSS)	<u>4,672</u>		<u>4,672</u>
INCREASE (DECREASE) IN NET ASSETS	7,359	35,000	42,359
NET ASSETS AT BEGINNING OF YEAR			
As previously reported	3,586,954		3,586,954
Prior period adjustment	277,346		277,346
Balance at beginning of year, as restated	<u>3,864,300</u>		<u>3,864,300</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,871,659</u>	<u>\$ 35,000</u>	<u>\$ 3,906,659</u>

See Independent Auditors' Report and Notes to Financial Statements

FULLERTON ARBORETUM AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from contributions and customers	1,101,266
Payments to suppliers	(192,155)
Payments to employees	(623,152)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 285,959</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(75,898)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(75,898)</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES	
Other revenue	<u>2,662</u>
NET CASH PROVIDED BY NONCAPITAL RELATED FINANCING TRANSACTIONS	<u>2,662</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>2,010</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,010</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS	
Beginning of year	622,336
End of year	<u><u>\$ 837,069</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 37,687
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	154,376
Change in current assets and liabilities:	
Accounts receivable	61,366
Prepaid expenses	7,954
Accounts payable	26,331
Accrued vacation and benefits	(1,755)
Net cash provided by operating activities	<u><u>\$ 285,959</u></u>

See Independent Auditors' Report and Notes to Financial Statements

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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). In 2012, the City of Fullerton took the place of the Redevelopment Agency, which was in the process of dissolution as mandated under state law. 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 City of Fullerton, the Trustees, and contributions from third-party sources, if any. The Agreements shall continue in full force and effect until December 3, 2020, or until repealed by all parties.

Governing Commission

The Authority shall be administered by a commission composed of seven members, each serving in their 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 the Trustees and the seventh member, selected by the other six commissioners, and shall be residents of Orange County, California.

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 Government Accounting Standards Board. The Authority also has the option of following subsequent private-section guidance for their proprietary fund, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Significant Accounting Policies

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.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Basis of Presentation

Fullerton Arboretum Authority reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of each of these net assets is as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Temporarily restricted resources whose restrictions are met in the same reporting period are recorded as unrestricted.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Authority. The Authority did not have any such net assets during the year.

Cash and Cash Equivalents

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.

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.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

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.

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. No provision is made for Federal income and California franchise taxes, since the Authority is organized and operated as a nonprofit governmental agency.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – CASH AND CASH EQUIVALENT

The following is a summary of cash and cash equivalent at June 30, 2012:

Cash deposited with CSUF	\$ 277,388
Cash deposited with CSUF ASC	106,469
Cash deposited with CSUF Philanthropic Foundation	453,211
Totals Cash Deposits	<u>\$ 837,068</u>

For year ended June 30 2012, 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.

NOTE 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, 2012, a summary of these contributions which are reflected as revenues in the accompanying financial statements is as follows:

Donors	Cash	Materials and Services	Total
City of Fullerton	\$ 199,076		\$ 199,076
California State University, Fullerton	35,000	\$ 377,179	412,179
Friends of the Arboretum	52,000		52,000
Other cash and in-kind donations	197,278	77,243	274,521
Total	<u>\$ 483,354</u>	<u>\$ 454,422</u>	<u>\$ 937,776</u>

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – CONTRIBUTIONS - continued

For the year ended June 30, 2012, the Authority received in-kind materials and services donations of \$454,422, 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, 2012, the Authority received in-kind volunteer services of 23,247 hours. The fair value of the volunteer services was \$506,552 based on a \$21.79 per hour rate provided by the Bureau of Labor Statistics. In accordance with *Accounting for Contributed Services*, the volunteer services described above should not be recognized and were not recognized in the accompanying financial statements.

NOTE 4 – CAPITAL ASSETS

Capital assets as of June 30, 2012 are as follows:

Building and improvements	\$ 3,895,745
Improvements other than buildings	331,364
Equipment	217,593
Furnishings	10,000
Property, plant and equipment, gross	<u>4,454,702</u>
Less: accumulated depreciation	<u>(1,307,980)</u>
Capital assets, net	<u><u>\$ 3,146,722</u></u>

Depreciation expense for the years ended June 30, 2012 was \$154,376.

NOTE 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. No amount was recorded in the financial statements as the value is undeterminable.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, 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.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 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, 2012.

NOTE 8 – PRIOR YEAR ADJUSTMENT

The prior period adjustment consisted of adjustments to cost basis of fixed assets to reflect previously unrecorded donated assets, updated information on cost basis of assets purchased by another entity for the Authority, and errors in calculation of depreciation.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through January 14, 2013, the date the financial statements were available to be issued, require adjustments to, or disclosure in the financial statement.