

FULLERTON ARBORETUM AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

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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 years ended June 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT, continued

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fullerton Arboretum Authority as of June 30, 2016 and 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



GUZMAN & GRAY CPAS
Long Beach, California
September 12, 2016

FULLERTON ARBORETUM AUTHORITY
STATEMENT OF NET POSITION

JUNE 30, 2016 AND 2015

ASSETS

	June 30	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalent	\$ 629,978	\$ 634,442
Prepaid expenses	4,665	4,310
TOTAL CURRENT ASSETS	634,643	638,752
FIXED ASSETS		
Capital assets, net	2,890,076	2,855,265
INVESTMENTS	1,499,186	1,497,043
TOTAL ASSETS	\$ 5,023,905	\$ 4,991,060

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 5,079	\$ 6,237
Accrued vacation and benefits	45,208	38,362
TOTAL LIABILITIES	50,287	44,599
NET POSITION		
Investment in capital assets, net of related debt	2,890,076	2,855,265
Restricted for:		
Programs	158,523	194,260
Other purposes	-	-
Unrestricted	1,925,019	1,896,936
TOTAL NET POSITION	4,973,618	4,946,461
TOTAL LIABILITIES AND NET POSITION	\$ 5,023,905	\$ 4,991,060

See Independent Auditors' Report and Notes to the Financial Statements.

FULLERTON ARBORETUM AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30	
	2016	2015
OPERATING REVENUE		
Contributions	\$ 573,686	\$ 1,074,852
Programs fees	103,309	107,833
In-kind goods and services	434,671	318,928
TOTAL OPERATING REVENUE	1,111,666	1,501,613
OPERATING EXPENSES		
Salaries and benefits	718,276	609,587
Supplies and services	36,117	40,017
Contractual services	6,708	14,791
Telephone	5,891	1,627
Postage	111	1,250
Insurance	25,471	24,079
Printing and duplicating	1,208	677
Travel	4,314	7,741
Advertising and public relations	7,988	
Equipment leases	930	1,860
Depreciation	166,632	153,321
Payroll tax	24,649	12,753
Memberships and subscriptions	1,878	2,088
Maintenance	42,355	19,041
Utilities	31,493	31,493
Miscellaneous	6,489	5,250
TOTAL OPERATING EXPENSES	1,080,510	925,575
OPERATING INCOME (LOSS)	31,156	576,038
NONOPERATING INCOME (LOSS)		
Unrealized gain or (loss)	(4,631)	(7,323)
Interest income	632	1,016
Other		346
TOTAL NONOPERATING INCOME (LOSS)	(3,999)	(5,961)
CHANGE IN NET POSITION	27,157	570,077
NET POSITION - BEGINNING OF YEAR	4,946,461	4,376,384
NET POSITION - END OF YEAR	\$ 4,973,618	\$ 4,946,461

See Independent Auditors' Report and Notes to the Financial Statements.

FULLERTON ARBORETUM AUTHORITY
STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from contributions and customers	\$ 676,995	\$ 1,182,685
Payments owed to suppliers	6,237	(98,863)
Payments to suppliers	(120,929)	(128,956)
Payments to employees	(359,182)	(303,848)
	203,121	651,018
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(201,443)	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(201,443)	
CASH FLOWS (TO) FROM INVESTING ACTIVITIES		
Interest income	632	1,016
Transfers to investments	(6,774)	(1,504,360)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(6,142)	(1,503,344)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,464)	(852,326)
CASH AND CASH EQUIVALENTS		
Beginning of year	634,442	1,486,768
End of year	\$ 629,978	\$ 634,442
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 31,156	\$ 576,038
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	166,632	153,321
Change in current assets and liabilities:		
Prepaid expenses	(355)	380
Accounts payable	(1,158)	(98,863)
Accrued vacation and benefits	6,846	20,142
Net cash provided by operating activities	\$ 203,121	\$ 651,018

See Independent Auditors' Report and Notes to the Financial Statements.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

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, 2016 and 2015

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 position: unrestricted net position, temporarily restricted net position, and permanently restricted net position. A description of each of these categories of net position is as follows:

Unrestricted net position – Net position that is not subject to donor-imposed stipulations.

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

Investments

The Authority carries its investments at fair market value. The difference between fair market value and cost is recorded as realized and unrealized gain (loss) account in the financial statements. All investments are held in an investment pool at the CSUF Philanthropic Foundation.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

NOTE 2 – CASH AND CASH EQUIVALENT

The following is a summary of cash and cash equivalent at June 30, 2016 and 2015:

	2016	2015
Cash deposited with CSUF	106,945	36,052
Cash deposited with CSUF ASC	20,421	83,453
Cash deposited with CSUF Philanthropic Foundation	502,612	514,937
 Total Cash Deposits	 \$ 629,978	 \$ 634,442

For the years ended June 30, 2016 and 2015, the Authority did not have deposits under its name with financial institutions. Instead, the Authority deposited and pooled its cash with several related parties such as CSUF, CSUF ASC and CSUF Philanthropic Foundation. The Authority entered into agreements with related parties such as the CSUF, CSUF ASC, and CSUF Philanthropic Foundation where administrative services are provided to the Authority in managing these pooled funds. Funds were held in the, 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. Summaries of these contributions which are reflected as revenues in the accompanying financial statements is as follows:

For the year ended June 30, 2016

Donors	Cash	Materials and Services	Total
City of Fullerton	\$ 213,568		\$ 213,568
California State University, Fullerton		\$ 434,671	434,671
Friends of the Arboretum	136,323		136,323
Other cash and in-kind donations	223,781		223,781
 Total	 \$ 573,672	 \$ 434,671	 \$ 1,008,343

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

NOTE 3 – CONTRIBUTIONS - continued

For the year ended June 30, 2015

Donors	Cash	Materials and Services	Total
City of Fullerton	\$ 211,873		\$ 211,873
California State University, Fullerton		318,928	318,928
Friends of the Arboretum	173,934		173,934
Other cash and in-kind donations	689,045		689,045
 Total	 <u>\$ 1,074,852</u>	 <u>\$ 318,928</u>	 <u>\$ 1,393,780</u>

For the year ended June 30, 2016 and 2015, the Authority received in-kind donations of materials and services worth \$434,671 and \$318,928 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, 2016 and 2015, the Authority received in-kind volunteer services of 20,304 and 22,473 hours respectively. 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 are as follows:

	June 30,	
	2016	2015
Building and improvements	\$ 3,895,746	\$ 3,895,745
Improvements other than buildings	630,094	473,527
Equipment	294,113	233,238
Furnishings	10,000	26,000
 Property, plant and equipment gross	 4,829,953	 4,628,510
Less: accumulated depreciation	<u>(1,939,877)</u>	<u>(1,773,245)</u>
Capital assets, net	<u>\$ 2,890,076</u>	<u>\$ 2,855,265</u>

Depreciation expense for the year ended June 30, 2016 and 2015 was \$166,257 and \$153,321 respectively.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally Accepted Accounting Principles (GAAP) emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and defines fair value 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.

As a basis for considering market participant assumptions in fair market value measurements, GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Level 1 inputs utilize quoted prices in active market for identical assets or liabilities that we have the ability to access. Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	\$ 1,499,186	\$ 1,499,186

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values for cash, receivables investments, endowment funds, other assets and liabilities are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 6 – INVESTMENTS

The Authority has placed funds in an investment pool consisting of marketable securities with the CSUF Philanthropic Foundation. The fair market value of their pool allocated to the Authority for the years ending June 30, 2016 and 2015 were \$1,499,180 and \$1,497,043, respectively.

NOTE 7 – 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 8 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2016 and 2015, 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.

NOTE 9 - 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, 2016 and 2015.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through September 12, 2016, the date the financial statements were available to be issued, require adjustments to, or disclosure in the financial statement.

NOTE 11 – RELATED PARTY TRANSACTIONS

As noted in note 1, the Authority is a nonprofit governmental agency created through a Joint Powers Agreement between the City of Fullerton and the Trustees of the California State University and Colleges. As noted in notes 2, 3, and 4, the Authority uses California State University Fullerton (CSUF) and certain auxiliaries of CSUF for depositing purposes, in addition to contributions and lease agreements.