

FULLERTON ARBORETUM AUTHORITY
FINANCIAL STATEMENTS
JUNE 30, 2014

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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 year ended June 30, 2014, 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

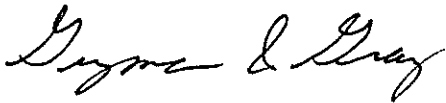
Unmodified Opinion

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, 2014, 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
November 25, 2014

FULLERTON ARBORETUM AUTHORITY
STATEMENT OF NET POSITION

JUNE 30, 2014

ASSETS

CURRENT ASSETS	
Cash and cash equivalent	\$ 1,486,768
Prepaid expenses	<u>4,690</u>
TOTAL CURRENT ASSETS	1,491,458
FIXED ASSETS	
Capital assets, net	<u>3,089,375</u>
TOTAL ASSETS	<u><u>\$ 4,580,833</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 145,945
Accrued vacation and benefits	<u>58,504</u>
TOTAL LIABILITIES	<u>204,449</u>
NET POSITION	
Investment in capital assets, net of related debt	3,089,375
Restricted for:	
Programs	19,000
Other purposes	2,000
Unrestricted	<u>1,266,009</u>
TOTAL NET POSITION	<u>4,376,384</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 4,580,833</u></u>

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 YEAR ENDED JUNE 30, 2014

	TOTAL
OPERATING REVENUE	
Contributions	\$ 858,453
Programs fees	94,821
In-kind goods and services	405,161
TOTAL OPERATING REVENUE	1,358,435
OPERATING EXPENSES	
Salaries and benefits	234,544
Supplies and services	21,964
Contractual services	20,201
Telephone	1,576
Postage	1,656
Insurance	25,861
Printing and duplicating	8,229
Travel	962
Advertising and public relations	157
Equipment leases	1,860
Depreciation	153,349
In-kind goods and services	405,161
Payroll tax	12,346
Memberships and subscriptions	1,417
Maintenance	15,596
Miscellaneous	2,390
TOTAL OPERATING EXPENSES	907,269
OPERATING INCOME (LOSS)	451,166
NONOPERATING INCOME (LOSS)	
Interest income	549
TOTAL NONOPERATING INCOME (LOSS)	549
CHANGE IN NET POSITION	451,715
NET POSITION - BEGINNING OF YEAR	3,924,669
NET POSITION - END OF YEAR	\$ 4,376,384

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

FULLERTON ARBORETUM AUTHORITY
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from contributions and customers	\$ 953,274
Payments owed to suppliers	144,720
Payments to suppliers	(101,988)
Payments to employees	<u>(253,949)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>742,057</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(222,952)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(222,952)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>549</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>549</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	519,654
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>967,114</u>
End of year	<u>\$ 1,486,768</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 451,166
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	153,349
Change in current assets and liabilities:	
Prepaid expenses	(119)
Accounts payable	144,720
Accrued vacation and benefits	<u>(7,059)</u>
Net cash provided by operating activities	<u>\$ 742,057</u>

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

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014

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.

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014

NOTE 2 – CASH AND CASH EQUIVALENT

The following is a summary of cash and cash equivalent at June 30, 2014:

Cash deposited with CSUF	135,883
Cash deposited with CSUF ASC	85,388
Cash deposited with CSUF Philanthropic Foundation	<u>1,265,497</u>
 Total Cash Deposits	 <u>\$ 1,486,768</u>

For the year ended June 30, 2014, 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 City of Fullerton, 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 City of Fullerton, 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 year ended June 30, 2014, 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	\$ 208,127		\$ 208,127
California State University, Fullerton	-	\$ 390,967	390,967
Friends of the Arboretum	178,209	-	178,209
Other cash and in-kind donations	<u>485,791</u>	<u>520</u>	<u>486,311</u>
 Total	 <u>\$ 872,127</u>	 <u>\$ 391,487</u>	 <u>\$ 1,263,614</u>

FULLERTON ARBORETUM AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3 – CONTRIBUTIONS - continued

For the year ended June 30, 2014, the Authority received in-kind donations of materials and services worth \$405,161, 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, 2014, the Authority received in-kind volunteer services of 18,731 hours. The fair value of the volunteer services was \$414,704 based on a \$22.14 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, 2014 are as follows:

Building and improvements	\$ 3,895,745
Improvements other than buildings	331,364
Equipment	249,238
Furnishings	10,000
Construction in progress	<u>222,952</u>
Property, plant and equipment gross	4,709,299
Less: accumulated depreciation	<u>(1,619,924)</u>
Capital assets, net	<u>\$ 3,089,375</u>

Depreciation expense for the year ended June 30, 2014 was \$153,349.

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, 2014, 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, 2014

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, 2014.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through November 26, 2014, the date the financial statements were available to be issued, require adjustments to, or disclosure in the financial statement.

NOTE 9 – 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.