

CALIFORNIA NATIVE PLANT SOCIETY

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March 31, 2010

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May 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
California Native Plant Society
Sacramento, California

We have audited the accompanying Statement of Financial Position of the California Native Plant Society as of March 31, 2010, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Society'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 California Native Plant Society as of March 31, 2010, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

John Waddell & Co., CPAs

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Financial Position March 31, 2010

ASSETS

Cash and cash equivalents	\$	1,513,929
Contracts receivable		413,503
Prepaid expenses		13,059
Inventory		63,993
Investments		157,072
Sales accounts receivable		17,041
Chapter poster sales accounts receivable		1,432
Deposits		2,650
Office equipment, net of accumulated depreciation of \$56,638		40,697
Land		4,200
		<hr/>
	\$	<u>2,227,576</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$	390,248
Accrued expenses		65,560
Deferred revenue		68,526
		<hr/>
Total Liabilities		<u>524,334</u>
Net assets		
Unrestricted		
Board designated		1,133,417
Undesignated		296,179
Temporarily restricted		189,046
Permanently restricted		84,600
		<hr/>
Total Net Assets		<u>1,703,242</u>
	\$	<u>2,227,576</u>

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Activities For the Year Ended March 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Membership dues	\$ 414,134	\$ -	\$ -	\$ 414,134
Donations	261,912	156,999	-	418,911
Sales, net of cost of sales of \$84,617	52,373	-	-	52,373
Contract income	627,401	-	-	627,401
Workshop income	52,230	-	-	52,230
Chapter funded staff programs	16,933	-	-	16,933
Investment income	43,576	-	-	43,576
Other income	67	-	-	67
Net assets released from restriction	106,087	(106,087)	-	-
Total Revenue	<u>1,574,713</u>	<u>50,912</u>	<u>-</u>	<u>1,625,625</u>
Expenses				
Program services				
Plant science	670,761	-	-	670,761
Conservation	113,087	-	-	113,087
Horticulture and education	246,496	-	-	246,496
Chapter services	134,853	-	-	134,853
Sales	68,507	-	-	68,507
Total program services	<u>1,233,704</u>	<u>-</u>	<u>-</u>	<u>1,233,704</u>
Management and general	255,881	-	-	255,881
Board	8,557	-	-	8,557
Fundraising	180,514	-	-	180,514
Total Expenses	<u>1,678,656</u>	<u>-</u>	<u>-</u>	<u>1,678,656</u>
Change in Net Assets	<u>(103,943)</u>	<u>50,912</u>	<u>-</u>	<u>(53,031)</u>
Net Assets, Beginning of Year	<u>1,533,539</u>	<u>138,134</u>	<u>84,600</u>	<u>1,756,273</u>
Net Assets, End of Year	<u>\$ 1,429,596</u>	<u>\$ 189,046</u>	<u>\$ 84,600</u>	<u>\$ 1,703,242</u>

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

**Statement of Functional Expenses
For the Year Ended March 31, 2010**

	Mgmt. & General	Board	Fundraising	Plant Science	Conservation	Hort & Education	Chapter Services	Sales	Total
Administrative services	\$ 716	\$ -	\$ 12,460	\$ 30	\$ 68	\$ 2,737	\$ 2,896	\$ -	\$ 18,907
Audit	18,450	-	-	-	-	-	-	550	19,000
Bulletin	-	-	-	-	-	28,247	-	-	28,247
Chapter subventions	-	-	-	-	-	1,902	15,000	-	16,902
Communications	2,331	62	911	2,223	223	934	1,351	737	8,772
Computer and software	15,546	-	-	2,606	-	2,538	-	-	20,690
Conferences/staff development	1,297	-	530	395	550	50	-	70	2,892
Fremontia	-	-	-	-	-	75,675	-	-	75,675
Grants	-	-	-	-	-	4,500	-	-	4,500
Insurance	8,843	4,041	-	-	-	-	8,272	951	22,107
Legal services	510	-	-	-	22,353	-	-	-	22,863
Legislative services	-	-	-	-	15,600	-	-	-	15,600
Marketing	-	-	-	-	-	-	330	3,310	3,640
Miscellaneous	2,508	941	(3)	387	401	285	497	(3)	5,013
Office rent	18,499	-	7,518	5,198	-	-	-	8,282	39,497
Personnel cost	157,040	-	127,152	326,726	66,456	82,719	72,649	26,301	859,043
Postage and mail services	879	186	21,018	29	81	351	168	5,075	27,787
Publications and special	-	-	-	-	1,220	-	-	12,159	13,379
Equipment leases and maintenance	3,746	176	4,259	1,039	153	2,343	153	918	12,787
Consultants	940	-	395	298,181	130	24,975	14,634	60	339,315
Supplies	1,924	45	1,123	2,532	307	2,022	2,055	1,621	11,629
Travel and meetings	4,913	3,106	3,686	28,007	4,685	13,223	15,888	669	74,177
Web site	5,189	-	1,465	2,408	860	3,995	960	1,283	16,160
Total expenses before depreciation and inventory adjustments	243,331	8,557	180,514	669,761	113,087	246,496	134,853	61,983	1,658,582
Depreciation	12,550	-	-	1,000	-	-	-	-	13,550
(Gain)/Loss on Inventory Adjustments	-	-	-	-	-	-	-	6,524	6,524
Total Expenses	\$ 255,881	\$ 8,557	\$ 180,514	\$ 670,761	\$ 113,087	\$ 246,496	\$ 134,853	\$ 68,507	\$ 1,678,656

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

**Statement of Cash Flows
For the Year Ended March 31, 2010**

Cash Flows from Operating Activities	
Change in net assets	\$ (53,031)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	13,550
Unrealized gains	(29,968)
Reinvested dividends	(3,200)
Changes in operating assets and liabilities:	
Contracts and other receivables	126,516
Prepaid expenses	(2,749)
Inventory	(15,764)
Deposits	(208)
Accounts payable	4,739
Accrued expenses	4,745
Deferred revenue	5,594
Cash Provided by Operating Activities	<u>50,224</u>
Cash Flows from Investing Activities	
Purchases of equipment	<u>(35,944)</u>
Cash Provided by Investing Activities	<u>(35,944)</u>
Net Increase in Cash	14,280
Cash and Cash Equivalents, Beginning of Year	<u>1,499,649</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,513,929</u>

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Society's Activities

The California Native Plant Society (CNPS) is a statewide not-for-profit organization of amateur and professional botanists with a common interest in California's native plants. CNPS, working through its 33 local chapters, seeks to conserve native plants and their natural habitats, and increase understanding, appreciation, and horticultural use of native plants. Programs carried on by the Society include the following:

Local Chapters

The CNPS local chapters carry out a variety of programs. Most chapters hold field trips, plant sales and speaker programs. In addition, Chapters may manage stewardship programs for local habitats, organize education programs in schools, monitor the health of local plant populations, and help shape regional habitat conservation programs. Overall, the 33 chapters contribute more than 90,000 volunteer hours each year.

Rare Plant Program

The Rare Plant Program develops current, accurate information on the distribution, ecology, and conservation status of California's rare and endangered plants, and uses this information to promote science-based plant conservation in California. Since its inception in 1968, the Rare Plant Program has developed a reputation for scientific accuracy and integrity. The Program's data are widely accepted as the standard for information on the rarity and endangerment status of the California flora. For this reason, the Program's primary responsibility is the maintenance of the CNPS Inventory of Rare and Endangered Plants of California (the CNPS Inventory), which tracks the conservation status of hundreds of plant species.

Vegetation Science Program

The Vegetation Program develops and disseminates quantifiable definitions of all types of vegetation in California. These definitions are used to promote science-based conservation at the natural community and ecosystem level throughout the State. Vegetation Program staff and volunteers collect and share data with public agencies, environmental groups, and universities throughout California. The principal goals of the program are to develop, promote, and maintain a uniform vegetation classification that will be adopted by private, state, and federal resource agencies with jurisdiction over land management, and to develop defensible definitions of the rare vegetation of the state. The Manual of California Vegetation, 2nd edition, embodies the vegetation classification system developed by CNPS and includes descriptions of over 450 vegetation types occurring in California.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Conservation Program

Through the Conservation Program, CNPS staff and volunteers promote scientifically based public policies, regulations and land management practices that protect native vegetation. With technical support from conservation staff, local chapters and volunteers actively monitor local projects for potential ecological threats. Activities include advocacy at state, regional and local levels, lectures, demonstrations and statewide conservation conferences.

Education Program

The CNPS Education Program coordinates educational programs, workshops, and stewardship projects for all ages, levels of knowledge, and enthusiasm. Its mission is to provide people with opportunities to engage with nature and develop ecological awareness, to study native plant diversity, and to conserve California's native flora using sound scientific practices. The Plant Science Workshop Program provides training for professional and student botanists, ecologists, land managers, resource specialists, and conservationists. The program also awards educational grants to students working on projects leading to a better understanding of California's native flora.

Horticulture and Native Garden Program

The Horticulture and Native Garden Program is dedicated to promoting, supporting and encouraging the appropriate horticultural use of California native plants in gardens and landscapes including private homes, public spaces and commercial properties. The Program is run almost entirely by volunteers from CNPS chapters located across the state, who focus on ways to build outreach and communicate the benefits of growing native plants.

CNPS Publications

The CNPS journal, Fremontia, and CNPS newsletter, The Bulletin, are published quarterly. The Bulletin includes a calendar of selected chapter activities and articles written by staff and volunteers. An e-newsletter highlighting current issues, events, and other topics of interest to members is produced monthly. CNPS publishes books and reprints books under its imprimatur CNPS Press that focuses on California's native plants. CNPS also publishes six beautiful and educational full-size native plant posters that feature the native flora of different regions of the state. CNPS Press books, posters and related products purchased for resale are sold through the CNPS sales program.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates and Assumptions

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.

Financial Statements

CNPS's financial statements include a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows. These statements require classification of an organization's net assets and its revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Each of the three classes of net assets - permanently restricted, temporarily restricted and unrestricted - are displayed in the statement of financial position. The amount of change in each of these classes is displayed in the statement of activities. These audited financial statements only reflect the activities of the statewide Society and do not reflect the finances of the individual chapters. Although the individual chapters' finances are not audited, they are included in CNPS's federal and state tax information returns.

Basis of Accounting

CNPS records income and expenses on the accrual basis of accounting. Under this method, revenue is recognized when earned and costs are recorded when incurred.

Donated Services

Donated services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of these services. A number of volunteers have donated significant amounts of time to CNPS's program services.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CNPS considers all highly liquid investments with original maturities at date of purchase of three months or less to be cash equivalents unless designated or restricted for long term purposes.

Accounts Receivable

Accounts receivable are stated at unpaid balances. Management believes all balances are collectible; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms.

Accounts receivable included \$17,241 of unbilled receivables at March 31, 2010.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventory

Inventory consists mainly of books and posters and is stated at the lower of cost or market determined by the first-in, first-out method.

Investments

Investments are reported at fair value as determined by quoted prices in an active market for identical assets (Level One Inputs). Unrealized gains and losses are included in the change in net assets.

Office Equipment

Expenditures in excess of \$500 for fixed assets with a useful life of more than one year are capitalized at cost. Included are improvements that significantly add to productivity or extend the useful life of an asset. Costs of maintenance and repairs are charged to expense. Depreciation is provided for using the straight-line method. The estimated useful lives for calculating depreciation for office equipment are three to seven years.

Land

The land, which holds one of California's rare and endangered plant species, was donated to CNPS in 1972. The land was recorded at market value on the date received.

Deferred Income

Deferred income represents unearned and unexpired membership dues and unearned workshop fees at March 31, 2010.

Accumulated Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of CNPS.

The employees do not have a vested right to accumulate sick leave. For this reason, CNPS does not accrue a liability for accumulated sick leave benefits. Sick leave benefits are recorded as expenditures in the period sick leave is taken.

Contributions

CNPS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

CNPS is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. CNPS is classified as other than a private foundation by the Internal Revenue Service. Accordingly, CNPS is subject to federal and state taxes only on non-exempt income earned. There was no such income during the year ended March 31, 2010. CNPS's federal and state tax returns are open for examination for three and four years, respectively, from when they were filed.

Concentrations

Cash deposited in financial institutions in excess of Federal Deposit Insurance Corporation insurable limits amounted to approximately \$136,000 at March 31, 2010.

Approximately 65% of contract income and contracts receivable is from a contract with the Department of Fish and Game.

Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was May 31, 2011.

NOTE 2 INVESTMENTS

Investments consist of the following:

U.S. balanced mutual funds	\$	42,635
Foreign balanced mutual funds		84,358
Money market funds		30,079
		<hr/>
	\$	157,072

Income from cash and investments consisted of \$13,608 in interest and dividends and realized and unrealized gains of \$29,968.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 3 EMPLOYEE BENEFIT PLAN

Effective January 1, 2008, CNPS established a Savings Incentive Match Plan for Employees of Small Employers (the Plan). The Plan covers all employees. Under the terms of the Plan, CNPS matches employee contributions dollar for dollar up to a maximum of 3% of compensation. Total contributions for the year ended March 31, 2010 amounted to \$15,869.

NOTE 4 RELATED PARTY TRANSACTIONS

CNPS sells posters and books to its various chapters. Posters are sold on a basis whereby funds are not collected until the posters have been sold and the money collected by the chapters. Chapter poster sales amounted to \$1,690 during the year ended March 31, 2010. As of March 31, 2010 a receivable totaling \$1,432 has been established by CNPS in order to account for posters shipped to and held by the chapters for re-sale. Sales of books are billed upon shipment. Chapter book sales amounted to \$9,256 during the year ended March 31, 2010. Included in sales accounts receivable at March 31, 2010 is \$3,999 due from various chapters for book sales.

On an annual basis, CNPS also makes subvention payments of \$600 to its chapters to help with their funding needs. CNPS also offered a subvention payment of \$200 for gardening outreach activities during the year ended March 31, 2010. Some chapters (those that do not need extra financial support) decline to accept the subvention, or elect to re-contribute the subvention amount back to CNPS's statewide funds. Subvention payments made by CNPS for the year ended March 31, 2010 totaled \$16,902.

Included in income is \$16,933 in reimbursements from chapters for use of CNPS nursery staff. Included in contract income and receivable is \$5,219 due from various chapters.

Donations include \$30,000 from a board member for the rare plant online inventory.

NOTE 5 LEASE & OTHER COMMITMENTS

CNPS has a subcontract with a vendor in connection with its contract with the Department of Fish and Game. Total amounts remaining under the subcontract, which are expected to be paid in fiscal 2011, amounted to \$122,531 at March 31, 2010.

California Native Plant Society leases office space under a lease expiring August 31, 2011. CNPS also leases office equipment under operating leases.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 5 LEASE & OTHER COMMITMENTS – CONTINUED

Lease commitments as of March 31 are as follows:

	Property	Equipment	Total
2011	\$ 31,026	\$ 3,668	\$ 34,694
2012	13,093	86	13,179
	\$ 44,119	\$ 3,754	\$ 47,873

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions received to help with publication costs of various books related to CNPS's mission, grant monies and individual donations designated for specific projects, books donated to CNPS and contributions made to fund educational grants. Net assets were released from restrictions by incurring expenses satisfying the program restriction.

Temporarily restricted net assets consist of the following:

Sandy Banks Easement Fund	\$	16,000
East Bay conservationist		15,219
Glen Canyon		1,419
Education		5,375
Litigation		4,000
Horticulture		7,336
Conservation		29,471
Gardening with natives		100
Capital Native Garden		2,770
Student support		1,115
Capacity building		6,453
Education program expansion		13,600
Vegetation		13,068
Rare Plant On-line Inventory		33,050
MCV Database		12,000
Rare plants		875
Vegetation - SSNF		27,195
	\$	189,046

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of contributions that must be held in perpetuity. Permanently restricted net assets consist of the following at March 31, 2010:

Conservation Fund	\$	4,500
Hardman Education and Research Fund		20,000
Natural Heritage Endowment Fund		10,000
Hopkins Scholarship Fund		50,100
		<hr/>
	\$	<u>84,600</u>

NOTE 8 BOARD DESIGNATED FUNDS AND RESERVES

In addition to the temporarily and permanently restricted funds disclosed in CNPS's financial statements, the Board of Directors has designated special funds out of the remaining unrestricted net assets.

Doc Burr fund	\$	27,358
Sharsmith fund		43,122
Stebbins fund		2,539
Publications fund		54,424
Burleigh bequest		64,075
Bilisoly bequest		860,439
Conservation fund		25,200
Champion		46,260
Vogel		10,000
		<hr/>
	\$	<u>1,133,417</u>

NOTE 9 ENDOWMENT FUNDS

The Board of Directors of the California Native Plant Society (CNPS) believes that established endowment funds can, by generating annual income through appreciation, interest, and dividends, provide CNPS with an important and reliable source of income. This income can provide sustainable financial support for CNPS's conservation, scientific, and horticultural activities. CNPS's endowment consists of seven individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 9 ENDOWMENT FUNDS – CONTINUED

Board-designated Endowment

Board-designated endowment funds currently consist of three funds established to support educational research grants. Since the funds resulted from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets.

Donor-restricted Endowments

The CNPS donor-restricted endowment funds consist of four individual funds established for a variety of purposes: Conservation Fund for conservation, land stewardship, conservation science, and plant science; Hardman Education and Research Fund for native plant research awards; Natural Heritage Fund for organizational support; and the Natalie Hopkins Scholarship Fund for scholarships to women graduate students and researchers.

CNPS classifies as permanently restricted net assets 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. CNPS considers the following in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the various funds, 2) the purposes of the donor-restricted endowment funds, 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 organization, and 7) the investment policies of the organization.

Investment Policy

CNPS has adopted investment policies to prudently guide investment activities to provide short-term income, with long-term preservation or growth of principal and overall returns above the rate of inflation. Short to medium term operating funds are held in accounts providing frequent access, minimal to no risk and, as much as reasonable, interest income. Endowment assets and other funds held for medium to long terms can be invested for higher average returns. To balance risk and returns, these funds are invested in minimal risk accounts (for example longer term CD and US government securities) and other investments using a diversified asset allocation strategy. Decisions to rebalance, sell, liquidate, or merge investments shall be made prudently with a preference for low turnover in long term investments.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 9 ENDOWMENT FUND – CONTINUED

Investment Policy – continued

CNPS has a medium to low tolerance for investment risks. Principal fluctuations are expected in most long term investments providing higher returns; however, the portfolio is managed with investments covering multiple asset categories (i.e. stocks, bonds, REITs) to decrease overall risk and volatility. The strategy also recognizes allocations in sub-categories such as large vs. small cap and value vs. growth equities, and long vs. short-term bonds. Investments may be held in individual securities, but preference is given to mutual funds, including exchange traded funds, and especially to “asset allocation funds”. The asset allocated portfolio is managed to return less volatility than the benchmark S&P 500.

The investment strategy prefers readily marketable securities, readily ascertainable market values, widely recognized security categories, full disclosure, safety of principal, high returns, and decreased volatility. While no single category satisfies all preferences, the following categories of securities are approved for investment: Money Market Funds, Certificates of Deposit (CD), U.S. Government Securities, Corporate Bonds, Investment Grade Commercial Paper, Common and Preferred Stocks, Foreign Securities offered through US based exchanges or funds, Mutual Funds, Broadly-based Exchange Traded Funds (ETFs), and Broadly-based Real Estate Investment Trusts (REITs).

Investment decisions are made to minimize management fees and transaction costs. This strategy naturally prefers, but is not limited to, passively managed and no-load index funds. Average expense ratios for the entire portfolio shall not exceed 1%. The Board prefers “socially responsible” investments with an emphasis on “environmental responsibility.”

Use of alternative investment vehicles and strategies contrary to the Accepted Investment Categories and guidelines are prohibited. Examples of prohibited categories include, but are not limited to: narrow sector funds, hedge funds, managed futures, options, junk bonds, derivatives, short selling, market timing, buying on margin, limited partnerships, commodities or precious metals. In addition, mutual funds that incorporate any significant use of these investment tools or practices are prohibited.

Spending Policy

The intent of the Board-designated and Donor-restricted endowment funds is to provide a permanent source of income to support the organization and the designated purposes specified in the endowment funds, on a long-term basis, spending only a portion of the earning of the Fund every year and adding the excess to principal for growth over time. Accordingly, each year, the Society may spend an amount (the “Annual Amount”) from the Fund equal to five percent (5%) of the average net fair market value of the Fund’s assets for the 36 calendar months ending December 31 of the previous year. If the Fund has not been in existence for 36 calendar months, the Annual Amount shall be equal to five percent (5%) of the average net fair market value of the Fund’s assets for as many complete calendar months as the Fund has been in existence.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2010

NOTE 9 ENDOWMENT FUND – CONTINUED

Spending Policy – continued

The new spending policy was implemented with the fiscal year beginning April 1, 2009. No distributions from the endowment funds were made during the year. A reconciliation of the beginning and ending balances in the endowment funds is as follows:

Board-designated endowment, beginning of year	\$	73,721
Investment income		1,278
Net appreciation (unrealized loss)		(1,981)
Amounts appropriated for expenditure		-
Board-designated endowment, end of year	\$	73,018
Donor-restricted endowment, beginning of year	\$	84,600
Investment income		1,466
Net appreciation (unrealized loss)		(2,012)
Contributions		-
Amounts appropriated for expenditure		-
Donor-restricted endowment, end of year	\$	84,054

Endowment funds by net asset composition as of March 31, 2010 is as follows:

		Temporarily Restricted	Permanently Restricted	Total Endowment Funds
	Unrestricted			
Donor-restricted endowment funds	\$ (546)	\$ -	\$ 84,600	\$ 84,054
Board-designated endowment funds	73,018	-	-	73,018
Total funds	\$ 72,472	\$ -	\$ 84,600	\$ 157,072

SUPPLEMENTARY INFORMATION

CALIFORNIA NATIVE PLANT SOCIETY**Schedule of Publication Sales
March 31, 2010**

Sales:

Books and other products, net of returns	\$	118,882
Chapter poster sales		7,396
Shipping		10,712
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Total Sales Revenue		136,990

Cost of Sales:

Publications		55,976
Posters		2,772
Credit card fees		5,285
Freight in		5,130
Freight out		12,428
Royalties and licensing		2,686
Miscellaneous		340
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Total Cost of Sales		84,617
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Net Sales Income	\$	52,373