

CALIFORNIA NATIVE PLANT SOCIETY

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March 31, 2012

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March 14, 2012



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, 2012, 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, 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.

Our audit was conducted for the purpose of forming an opinion on the 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 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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John Waddell & Co., CPAs

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Financial Position March 31, 2012

ASSETS

Cash and cash equivalents	\$	434,706
Contracts receivable		196,245
Other receivables		18,674
Prepaid expenses		9,179
Inventory		50,887
Investments		1,111,771
Deposits		2,106
Office equipment, net of accumulated depreciation of \$88,853		16,545
Land		4,200
		<hr/>
	\$	1,844,313
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LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$	125,278
Accrued expenses		76,390
Deferred revenue		37,089
		<hr/>
Total Liabilities		238,757
		<hr/>
Net assets		
Unrestricted		
Board designated		850,892
Undesignated		403,813
Temporarily restricted		104,474
Permanently restricted		246,377
		<hr/>
Total Net Assets		1,605,556
		<hr/>
	\$	1,844,313
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See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Activities For the Year Ended March 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Membership dues	\$ 445,836	\$ -	\$ -	\$ 445,836
Donations	161,431	111,098	126,777	399,306
Sales, net of cost of sales of \$48,951	27,775	-	-	27,775
Contract income	445,410	-	-	445,410
Conference income	348,049	-	-	348,049
Workshop income	57,504	-	-	57,504
Investment income	33,496	6,957	-	40,453
In-kind contributions	20,285	-	-	20,285
Net assets released from restriction	118,491	(118,491)	-	-
Total Revenue	<u>1,658,277</u>	<u>(436)</u>	<u>126,777</u>	<u>1,784,618</u>
Expenses				
Program services				
Plant science	434,895	-	-	434,895
Conservation	128,579	-	-	128,579
Horticulture and education	457,539	-	-	457,539
Chapter services	117,896	-	-	117,896
Publications	137,418	-	-	137,418
Total program services	<u>1,276,327</u>	<u>-</u>	<u>-</u>	<u>1,276,327</u>
Management and general	224,575	-	-	224,575
Board	11,442	-	-	11,442
Fundraising	170,060	-	-	170,060
Total Expenses	<u>1,682,404</u>	<u>-</u>	<u>-</u>	<u>1,682,404</u>
Change in Net Assets	<u>(24,127)</u>	<u>(436)</u>	<u>126,777</u>	<u>102,214</u>
Net Assets, Beginning of Year	<u>1,278,832</u>	<u>104,910</u>	<u>119,600</u>	<u>1,503,342</u>
Net Assets, End of Year	<u>\$ 1,254,705</u>	<u>\$ 104,474</u>	<u>\$ 246,377</u>	<u>\$ 1,605,556</u>

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Functional Expenses For the Year Ended March 31, 2012

	Mgmt. & General	Board	Fundraising	Plant Science	Conservation	Hort & Education	Chapter Services	Publications	Total
Administrative services	\$ 1,056	\$ -	\$ 8,241	\$ -	\$ 1,407	\$ -	\$ -	\$ -	\$ 10,704
Audit	20,770	-	-	-	-	-	-	-	20,770
Bulletin	-	-	-	-	-	-	-	31,179	31,179
Chapter subventions	-	-	-	-	-	-	15,525	-	15,525
Communications	2,273	367	1,072	1,517	794	1,470	1,186	761	9,440
Computer and software	2,539	-	9,348	-	-	495	-	-	12,382
Staff development	1,170	490	1,953	1,940	145	-	-	-	5,698
Conferences	-	-	-	-	-	140,279	-	-	140,279
In-kind professional services	-	-	539	-	6,109	-	-	-	6,648
In-kind materials and supplies	-	-	-	12,625	-	1,010	-	-	13,635
Fremontia	-	-	-	-	-	-	-	60,960	60,960
Grants	-	-	-	-	-	10,400	-	-	10,400
Insurance	8,690	4,327	-	-	-	851	9,751	992	24,611
Legal services	-	-	-	-	1,500	-	-	-	1,500
Legislative services	-	-	-	-	17,884	-	-	-	17,884
Marketing	1,012	-	13,130	-	-	5,811	330	1,604	21,887
Miscellaneous	-	-	-	45	1,080	740	-	-	1,865
Office rent	12,263	-	4,228	2,880	3,928	5,063	4,228	9,820	42,410
Personnel cost	121,149	-	89,483	385,015	81,781	188,164	71,211	17,235	954,038
Postage and mail services	483	87	18,569	121	27	6,873	252	72	26,484
Property tax	-	-	-	-	-	-	442	-	442
Publications and special	106	-	-	170	53	5,352	2,051	9,948	17,680
Equipment leases and maintenance	2,817	100	4,927	-	452	1,376	247	1,074	10,993
Consultants	29,024	-	8,237	5,802	-	45,305	896	604	89,868
Supplies	3,687	20	626	3,089	708	5,129	42	1,258	14,559
Travel and meetings	5,009	6,051	1,602	18,981	7,755	33,339	10,522	604	83,863
Web site	2,503	-	3,642	2,425	1,213	4,688	1,213	1,213	16,897
Total expenses before depreciation and bad debt	214,551	11,442	165,597	434,610	124,836	456,345	117,896	137,324	1,662,601
Depreciation	6,438	-	4,463	285	3,743	1,194	-	94	16,217
Bad debt	3,586	-	-	-	-	-	-	-	3,586
Total Expenses	\$ 224,575	\$ 11,442	\$ 170,060	\$ 434,895	\$ 128,579	\$ 457,539	\$ 117,896	\$ 137,418	\$ 1,682,404

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Cash Flows For the Year Ended March 31, 2012

Cash Flows from Operating Activities	
Change in net assets	\$ 102,214
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	16,217
Unrealized gains	(26,717)
Reinvested dividends	(3,213)
Changes in operating assets and liabilities:	
Contracts and other receivables	82,498
Prepaid expenses	203
Inventory	(3,667)
Deposits	94
Accounts payable	(99,311)
Accrued expenses	(3,550)
Deferred revenue	(25,270)
Contributions restricted for endowment	<u>(126,777)</u>
Cash Used by Operating Activities	<u>(87,279)</u>
Cash Flows from Investing Activities	
Purchases of equipment	(1,263)
Purchases of investments	(887,759)
Sale of investments	<u>704,716</u>
Cash Used by Investing Activities	<u>(184,306)</u>
Cash Flows from Financing Activities	
Collection of support for endowment	<u>126,777</u>
Cash Provided by Financing Activities	<u>126,777</u>
Net Decrease in Cash	(144,808)
Cash and Cash Equivalents, Beginning of Year	<u>579,514</u>
Cash and Cash Equivalents, End of Year	<u>\$ 434,706</u>

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2012

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 Science 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 Science 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, 2012

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* is published 3 times a year and the CNPS newsletter, *The Bulletin*, is 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, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. 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 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.

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. Receivables are written off to bad debts when management has exhausted all collection efforts.

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.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 if purchased or fair value if contributed. 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 membership dues and unearned workshop fees at March 31, 2012.

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, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Services

Donated services are recognized as contributions if the materials or services (a) create or enhance nonfinancial assets or (b) require specialized skills, and performed by people with those skills, and would otherwise been purchased.

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, 2012. CNPS's federal and state tax returns are open for examination for three and four years, respectively, from when they were filed.

Concentrations

Approximately 55% of contract income and 25% of contracts receivable are due from government agencies and 55% of contracts receivable are due from two foundations.

Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was March 14, 2013.

NOTE 2 INVESTMENTS

Investments consist of the following:

Balanced mutual funds	\$	177,129
Stock ETFs		281,004
Certificates of deposit		500,025
Endowment money market funds		153,613
		<hr/>
	\$	1,111,771
		<hr/> <hr/>

Income from cash and investments consisted of \$13,736 in interest and dividends and realized and unrealized gains of \$26,717.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2012

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, 2012 amounted to \$19,327.

NOTE 4 RELATED PARTY TRANSACTIONS

CNPS sells posters and books to its various chapters. Chapter poster and book sales amounted to \$8,198 during the year ended March 31, 2012.

On an annual basis, CNPS also makes subvention payments of \$600 to its chapters to help with their funding needs, and an additional \$500 was available to chapters for outreach. 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, 2012 totaled \$15,525.

Included in income is \$26,271 in reimbursements from chapters for use of CNPS staff and \$20,368 in contributions for the conference and programs. Total receivables from chapters amounted to \$18,111 at March 31, 2012.

NOTE 5 LEASE COMMITMENTS

California Native Plant Society leased office space under a lease that expired August 31, 2012. The option to renew was not exercised; therefore rent is now month to month. CNPS also leases office equipment under operating leases.

Lease commitments as of March 31 are as follows:

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2013	\$ 15,093	\$ 3,434	\$ 18,527
2014	-	3,348	3,348
2015	-	837	837
	<u>\$ 15,093</u>	<u>\$ 7,619</u>	<u>\$ 22,712</u>

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.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2012

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS – CONTINUED

Temporarily restricted net assets consist of the following:

East Bay conservationist	\$	2,713
Glen Canyon		338
Litigation		2,725
Horticulture		14,125
Gardening with natives		973
Capital Native Garden		2,770
Sandy Banks Easement Fund		15,567
Education program expansion		18,221
MCV Database		22,196
Rare plant on line inventory		1,696
Vegetation - rare plant communities		1,631
Vegetation - field research		12,000
Endowment earnings		9,519
		<hr/>
	\$	104,474
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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, 2012:

Conservation Fund	\$	4,500
Hardman Education and Research Fund		20,000
Natural Heritage Endowment Fund		171,777
Hopkins Scholarship Fund		50,100
		<hr/>
	\$	246,377
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CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2012

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 as follows:

Endowment	\$	74,846
Publications fund		59,670
Conservation fund		30,785
Bequests		660,591
MCV Database		12,000
Rare Plant Communities		10,000
Online Inventory		3,000
		<hr/>
	\$	<u>850,892</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.

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.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2012

NOTE 9 ENDOWMENT FUNDS – CONTINUED

Donor-restricted Endowments – continued

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.

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).

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2012

NOTE 9 ENDOWMENT FUNDS – CONTINUED

Investment Policy – continued

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.

A reconciliation of the beginning and ending balances in the endowment funds is as follows:

Board-designated endowment, beginning of year	\$	75,471
Investment income		721
Net appreciation		2,023
Amounts appropriated for expenditure		(3,369)
Board-designated endowment, end of year	\$	<u>74,846</u>
Donor-restricted endowment, beginning of year	\$	126,311
Investment income		1,827
Net appreciation		5,133
Contributions		126,777
Amounts appropriated for expenditure		(4,152)
Donor-restricted endowment, end of year	\$	<u>255,896</u>

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2012

NOTE 9 ENDOWMENT FUNDS – CONTINUED

Endowment funds by net asset composition as of March 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Funds</u>
Donor-restricted endowment funds	\$ -	\$ 9,519	\$ 246,377	\$ 255,896
Board-designated endowment funds	74,846	-	-	74,846
Total funds	<u>\$ 74,846</u>	<u>\$ 9,519</u>	<u>\$ 246,377</u>	<u>\$ 330,742</u>

NOTE 10 DONATED MATERIALS AND SERVICES

Approximately 720 volunteers have donated significant amounts of time to CNPS's program services that are not recognized as contributions in the financial statements since the recognition criteria was not met. However, CNPS recognizes these hours as a valuable contribution. The total value of donated services that met the criteria for recognition as a donation and expense in the accompanying financial statements were as follows:

Legislative analyst (conservation program)	\$ 6,109
Professional fundraising (development program)	<u>539</u>
	<u>\$ 6,648</u>

SUPPLEMENTARY INFORMATION

CALIFORNIA NATIVE PLANT SOCIETY**Schedule of Publication Sales
March 31, 2012**

Sales:

Books and other products, net of returns	\$	54,884
Poster sales		11,909
Other sales		3,266
Shipping		6,667
		<hr/>
Total Sales Revenue		76,726
		<hr/>

Cost of Sales:

Publications		22,326
Posters		3,419
Credit card fees		4,432
Freight in		175
Freight out		8,626
Royalties and licensing		251
Miscellaneous		9,722
		<hr/>
Total Cost of Sales		48,951
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Net Sales Income	\$	27,775
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