

CALIFORNIA NATIVE PLANT SOCIETY

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September 18, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California Native Plant Society

We have audited the accompanying financial statements of California Native Plant Society (a nonprofit organization), which comprise the Statement of Financial Position as of March 31, 2019, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements.

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.

To the Board of Directors
California Native Plant Society
September 18, 2019



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Native Plant Society as of March 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

John Waddell & Co., CPAs

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Financial Position March 31, 2019

ASSETS

Cash and cash equivalents	\$	3,908,346
Contracts receivable		58,813
Other receivables		25,265
Prepaid expenses		27,036
Inventory		73,018
Contributions receivable		200,429
Investments		865,591
Deposits		3,720
Land		4,200
		<hr/>
	\$	<u>5,166,418</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$	56,409
Accrued expenses		167,255
Deferred revenue		93,629
Funds held for chapters		60,931
		<hr/>
Total Liabilities		<u>378,224</u>
Net assets		
Without donor restrictions		3,519,836
With donor restrictions		1,268,358
		<hr/>
Total Net Assets		<u>4,788,194</u>
	\$	<u>5,166,418</u>

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Activities For the Year Ended March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Membership dues	\$ 541,096	\$ -	\$ 541,096
Donations	1,041,613	650,399	1,692,012
Sales	56,906	-	56,906
Contract income	513,678	-	513,678
Workshop income	63,326	-	63,326
Investment income	11,882	1,144	13,026
Other program income	1,087	-	1,087
Net assets released from restriction	513,783	(513,783)	-
Total Revenue	2,743,371	137,760	2,881,131
Expenses			
Program services			
Conservation	348,763	-	348,763
Engagement & outreach	316,354	-	316,354
Plant Science	911,715	-	911,715
Publications	137,465	-	137,465
Chapter support	148,366	-	148,366
Total program services	1,862,663	-	1,862,663
Supporting services			
Administration	498,925	-	498,925
Development	397,361	-	397,361
Total supporting services	896,286	-	896,286
Total Expenses	2,758,949	-	2,758,949
Change in Net Assets	(15,578)	137,760	122,182
Net Assets, Beginning of Year	3,535,414	1,130,598	4,666,012
Net Assets, End of Year	\$ 3,519,836	\$ 1,268,358	\$ 4,788,194

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Functional Expenses For the Year Ended March 31, 2019

	Conservation	Engagement & Outreach	Plant Science	Publications	Chapter Support	Administration	Development	Total
Personnel Expenses	\$ 269,509	\$ 179,421	\$ 765,939	\$ 29,049	\$ 76,039	\$ 358,464	\$ 258,386	\$ 1,936,807
Professional Fees	34,908	22,164	18,554	27,760	7,806	63,820	2,363	177,375
Printing & Publications	360	4,229	16,605	35,235	96	1,868	40,139	98,532
Postage & Shipping	241	1,175	23,300	44,206	1,750	1,014	32,711	104,397
Supplies	1,214	3,465	3,291	465	193	8,115	1,550	18,293
Telephone & Communications	939	2,164	3,393	-	564	2,613	564	10,237
Information Technology	1,300	530	3,858	-	965	21,312	29,583	57,548
Travel Expenses	15,990	18,355	51,648	-	25,799	5,439	1,365	118,596
Conferences, Conventions & Meetings	1,440	356	3,322	-	359	320	398	6,195
Occupancy	5,944	20,402	11,708	-	5,498	16,848	5,344	65,744
Equipment Rental	2,772	2,662	3,085	-	567	1,923	3,438	14,447
Insurance	-	1,134	3,436	-	10,730	15,493	-	30,793
CC Processing Fees	-	1,645	-	-	-	268	9,780	11,693
Grants	12,550	25,655	1,009	600	18,000	-	-	57,814
Cost of Sales	-	30,383	-	-	-	-	-	30,383
Miscellaneous	1,596	2,614	2,567	150	-	1,428	11,740	20,095
Total Expenses	\$ 348,763	\$ 316,354	\$ 911,715	\$ 137,465	\$ 148,366	\$ 498,925	\$ 397,361	\$ 2,758,949

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Statement of Cash Flows For the Year Ended March 31, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ 122,182
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Realized and unrealized (gain) loss on securities	22,595
Donated securities	(144,105)
Changes in operating assets and liabilities:	
Contracts and other receivables	213,605
Prepaid expenses	7,437
Inventory	(16,064)
Deposits	(788)
Contributions Receivable	(200,429)
Accounts payable	(166,648)
Accrued expenses	56,598
Deferred revenue	(20,111)
Funds held for chapters	(504)
Cash Used by Operating Activities	<u>(126,232)</u>
Cash Flows from Investing Activities	
Sales of investments	166,172
Purchases of investments	<u>(28,076)</u>
Cash Provided by Investing Activities	<u>138,096</u>
Net Increase in Cash	11,864
Cash and Cash Equivalents, Beginning of Year	<u>3,896,482</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,908,346</u>

See accompanying notes to financial statements.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The California Native Plant Society (CNPS) was founded in 1965 and incorporated as a California non-profit, public benefit corporation. CNPS grew into a federation consisting of a central office in Sacramento and numerous chapters located throughout the state. In 2001, CNPS adopted an organizational structure to implement governance values desired by the Society's membership: volunteer leadership, primacy of the chapters, decentralization, democratic process, openness and transparency, efficiency, accountability, and effectiveness. The organizational structure consists of local chapters and their members, the Chapter Council, the Board of Directors, the Executive Director, staff, and Program Committees. The Chapter Council is composed of a delegate from each chapter and elects the Board of Directors. The Board of Directors and Chapter Council collaborate on important projects with joint committees comprised of representatives of both bodies. These financial statements include the activities of the central office only and do not include the activities of the 35 chapters.

Mission and Activities

CNPS is dedicated to celebrating California's native plant heritage and preserving it for future generations. CNPS brings together science, education, conservation, and gardening to power the native plant movement. Key programs of the central office include the following:

Conservation

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.

Engagement & Outreach

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.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements

March 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Engagement & Outreach – Continued

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.

Plant Science

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.

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.

Publications

CNPS publishes *Fremontia*, a beautiful, thematic journal including in-depth articles and scientific perspectives from leading native plant experts, twice a year. CNPS also publishes *Flora*, a color magazine published quarterly that includes conservation updates, native gardening advice, and photo essays. 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.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Chapter Support

The central office supports the CNPS local chapters, who 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 35 chapters contribute more than 90,000 volunteer hours each year.

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.

Basis of Presentation

The financial statements of CNPS have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which require CNPS to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CNPS. The CNPS's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CNPS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The CNPS has adjusted the presentation of these statements accordingly.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Concentrations of Credit Risk

Financial instruments that potentially subject CNPS to concentrations of credit risk consist principally of cash and cash equivalents, contributions receivable, and investments. CNPS maintains its cash and cash equivalents in various bank accounts that, at times, exceed federally insured limits. CNPS's cash and cash equivalents have been placed with high credit quality financial institutions. CNPS has not experienced, nor does it anticipate, any losses with respect to such accounts.

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.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

As of March 31, 2019, CNPS's contributions receivable consists of one grant receivable of \$91,261 expected to be collected within one year, and one multi-year pledge receivable with \$25,000 due in fiscal 2024, and \$120,000 due in more than five years. Accordingly, the \$145,000 pledge receivable is presented net of the unamortized discount of \$35,832, which was determined using a 4% discount rate.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements

March 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventory

Inventory consists of books and posters and is stated at the lower of cost or market determined by the first-in, first-out method. Inventory is presented net of a valuation allowance of \$51,000.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values, and changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost. Interest is recorded when earned, and dividends are accrued as of the ex-dividend date.

Office Equipment

Expenditures in excess of \$5,000 for equipment 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 using the straight-line method. The estimated useful lives for calculating depreciation for office equipment are three to seven years. All capitalized office equipment was fully depreciated as of March 31, 2019.

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, deferred advertising income, and unearned workshop fees at March 31, 2019.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions – Continued

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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 were performed by people with those skills and otherwise would have been purchased.

Approximately 645 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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel expenses	Time and effort
Professional fees	Time and effort
Printing and publications	Estimated usage
Postage and shipping	Estimated usage
Telephone & communications	Full time equivalent
Information technology	Full time equivalent
Occupancy	Full time equivalent
Insurance	Estimated risk

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements

March 31, 2019

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. The central office and the chapters file consolidated tax returns. 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, primarily advertising income. There was no net taxable income during the year ended March 31, 2019. CNPS has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was September 18, 2019.

NOTE 2 AVAILABILITY AND LIQUIDITY

CNPS' financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 3,129,047
Contracts receivable	58,813
Other receivables	25,265
Investments	<u>53,031</u>
	<u>\$ 3,266,156</u>

Amounts not available include donor-restricted and quasi-endowment funds, pledges receivable not expected to be collected within one year, and amounts restricted by donors. However, amounts expected to be appropriated from endowment funds under the spending policy are included. Because a donor's restriction requires resources to be used in a particular manner, CNPS must maintain sufficient resources to meet those responsibilities to its donors. As part of its liquidity management, CNPS structures its financial assets to be available as its general expenditures and other obligations become due. CNPS invests cash in excess of daily requirements in short term investments. In the event of an unexpected liquidity need or financial distress, CNPS could use the quasi-endowment fund with Board approval.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level within the fair value hierarchy the assets reported at fair value on a recurring basis at March 31, 2019:

	Fair Value Measurements at March 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices for similar assets in Inactive Markets (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value:				
Cash and money market funds	\$ 61,059	\$ -	\$ -	\$ 61,059
Corporate bonds	-	36,406	-	36,406
Municipal bonds	-	16,168	-	16,168
Bond funds	263,321	-	-	263,321
International bond funds	110,608	-	-	110,608
Stock funds	152,968	-	-	152,968
International stock funds	200,302	-	-	200,302
REIT index fund	24,759	-	-	24,759
	\$ 813,017	\$ 52,574	\$ -	\$ 865,591
Total investments measured at fair value	\$ 813,017	\$ 52,574	\$ -	\$ 865,591

Following is a description of the valuation methodologies used for assets measured at fair value as of March 31, 2019:

Level 1: The fair value of money market funds and mutual funds are based on the closing price reported in the active market where the individual securities are traded.

Level 2: The fair value of corporate and municipal bonds is based on the most recent closing price of identical assets in non-active markets.

NOTE 4 EMPLOYEE BENEFIT PLAN

CNPS has a 401(k) plan covering substantially all employees. CPNS matches employee contributions to a maximum of 6% of compensation. Total contributions to the plan for the year ended March 31, 2019 amounted to \$86,165.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 5 RELATED PARTY TRANSACTIONS

Total receivables from chapters amounted to \$4,941 at March 31, 2019.

Accounts receivable from Board members amounted to \$20,000 and are related to the purchase of auction items during the prior year conference.

On an annual basis, CNPS makes subvention payments of \$600 to its chapters to help with their funding needs, and additional amounts to encourage membership retention and 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. Subvention payments made by CNPS for the year ended March 31, 2019 totaled \$18,000. In addition, CNPS made nursery grants to four chapters totaling \$13,725 during the year ended March 31, 2019.

NOTE 6 LEASE COMMITMENTS

CNPS leases office space under an office lease expiring August 31, 2020. During the year, the lease was amended to include additional space. CNPS also leases a storage unit under a lease expiring January 31, 2020, and another storage unit under a month-to-month lease.

Lease commitments as of March 31, 2019 are as follows:

2020	\$	61,113
2021		50,860
2022		<u>21,452</u>
	\$	<u>133,425</u>

Rent expense was \$65,746 for the year ended March 31, 2019.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:

Fire recovery support	\$	218,551
Ventura Marsh Milkvetch		166,220
Conservation internship		214,528
Utom River conservation		177,706
Biodiversity Initiative		47,940
Other programs		161,549
		<hr/>
	\$	986,494
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Subject to organization spending policy and appropriation:

Investment in perpetuity (including amounts above original gift amount of \$246,877), which, once appropriated, is expendable to support:

Conservation	\$	5,024
Native plant research		21,156
Scholarships to women grad students		51,562
Any activities of the organization		204,122
		<hr/>
		281,864
		<hr/>
	\$	1,268,358
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CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Releases from Donor Restricted Net assets for the year ended March 31, 2019, are as follows:

Subject to expenditure for specified purpose:

So California conservation analyst	\$	80,113
Conservation		79,067
Fire recovery		105,390
Other programs		246,814

Subject to spending policy and appropriation:

Conservation and other programs		662
Any activities		1,737
		<hr/>
	\$	513,783
		<hr/> <hr/>

Endowment Net Assets with Donor Restrictions:

Original donor-restricted endowment gifts	\$	246,877
Accumulated investment gains		
Without purpose restrictions		32,345
With purpose restrictions		2,642
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	\$	281,864
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NOTE 8 GOVERNING BOARD DESIGNATIONS

The board designated net assets are comprised of the following:

Publication Fund	\$	8,245
Conservation		149,275
Bequests		1,643,244
Endowment		75,721
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	\$	1,876,485
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CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 9 ENDOWMENT FUNDS

CNPS endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. Board-designated endowment funds currently consist of a fund established to support educational research grants. 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 is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. The Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, CNPS considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund. CNPS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In California, spending more than 7% of the average fair market value of the endowment (averaged over the last three or more years) creates a rebuttable presumption of imprudence. CNPS currently does not have any underwater endowment funds.

In accordance with UPMIFA, 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
- 7) the investment policies of the organization.

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 9 ENDOWMENT FUNDS – CONTINUED

Investment Policy

CNPS has adopted an investment policy 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. 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. 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”.

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.

The composition of endowment net assets by type of fund as of March 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original gift amounts	\$ -	\$ 246,877	\$ 246,877
Accumulated investment gains	-	34,987	34,987
Board-designated endowment funds	75,721	-	75,721
Total funds	\$ 75,721	\$ 281,864	\$ 357,585

CALIFORNIA NATIVE PLANT SOCIETY

Notes to Financial Statements March 31, 2019

NOTE 9 ENDOWMENT FUNDS – CONTINUED

The changes in endowment net assets for the year ended March 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 80,306	\$ 283,118	\$ 363,424
Investment return, net	(217)	1,144	927
Contributions	-	-	-
Amounts appropriated for expenditure	(4,368)	(2,398)	(6,766)
	<u>\$ 75,721</u>	<u>\$ 281,864</u>	<u>\$ 357,585</u>