

# **Public Policy Institute of California**

**Report on Financial Statements  
For the Year Ended June 30, 2011  
(with summarized comparative information for the  
year ended June 30, 2010)**



## Report of Independent Auditors

To the Board of Directors of the  
Public Policy Institute of California

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Public Policy Institute of California ("PPIC") at June 30, 2011, 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. These financial statements are the responsibility of PPIC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from PPIC's June 30, 2010 financial statements and in our report dated October 21, 2010 we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

October 20, 2011

**Public Policy Institute of California**  
**Statement of Financial Position**  
**June 30, 2011 (with summarized comparative information for June 30, 2010)**

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,049	\$ 2,561
Accounts receivable	13	83
Contributions receivable, net	1,126	2,439
Investments, at fair value	194,507	165,883
Prepays and other assets	1,034	613
Bond issuance costs, net	204	222
Property and equipment, net	33,845	32,928
Total assets	<u>\$ 231,778</u>	<u>\$ 204,729</u>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable and other accrued liabilities	\$ 2,523	\$ 2,290
Long-term debt	32,546	32,664
Total liabilities	<u>35,069</u>	<u>34,954</u>
Net assets		
Unrestricted	193,108	162,710
Temporarily restricted	2,601	6,065
Permanently restricted	1,000	1,000
Total net assets	<u>196,709</u>	<u>169,775</u>
Total liabilities and net assets	<u>\$ 231,778</u>	<u>\$ 204,729</u>

The accompanying notes are an integral part of these financial statements.

**Public Policy Institute of California**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2011**  
**(with summarized comparative information for the year ended June 30, 2010)**

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<i>(in thousands of dollars)</i>					
<b>Support and revenue</b>					
Contributions	\$ 276	\$ 1,300	\$ -	\$ 1,576	\$ 3,616
Contracts and research support	54	36		90	-
Investment income	4,476			4,476	3,823
Other	27			27	15
Net assets released from restrictions	4,800	(4,800)		-	-
Total support and revenue	9,633	(3,464)	-	6,169	7,454
<b>Expenses</b>					
Program services					
Research	6,636			6,636	6,095
Communication	2,629			2,629	2,193
Total program services	9,265	-	-	9,265	8,288
Supporting services and other					
Management and general	3,144			3,144	3,059
Federal excise tax expense	705			705	106
Net expense (income) from building operations	175			175	(175)
Building financing costs	592			592	461
Total supporting services and other	4,616	-	-	4,616	3,451
Total expenses	13,881	-	-	13,881	11,739
Change in net assets before net realized and unrealized gains on investments	(4,248)	(3,464)	-	(7,712)	(4,285)
Net realized and unrealized gains on investments, net of management fees	34,646	-	-	34,646	14,714
Increase (decrease) in net assets	30,398	(3,464)	-	26,934	10,429
<b>Net assets</b>					
Beginning of year	162,710	6,065	1,000	169,775	159,346
End of year	\$ 193,108	\$ 2,601	\$ 1,000	\$ 196,709	\$ 169,775

The accompanying notes are an integral part of these financial statements.

**Public Policy Institute of California**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**  
**(with summarized comparative information for the year ended June 30, 2010)**

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 26,934	\$ 10,429
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized gains on investments	(35,874)	(15,740)
Depreciation and amortization	2,059	2,117
Amortization of bond discount and issuance costs	30	29
Changes in assets and liabilities		
Contributions receivable, net	1,313	1,317
Accounts receivable	70	(74)
Prepays and other assets	(421)	(87)
Accounts payable and other accrued liabilities	(380)	(544)
Deferred federal excise taxes	613	-
Net cash used in operating activities	<u>(5,656)</u>	<u>(2,553)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	18,474	38,942
Purchases of investments	(11,224)	(33,732)
Purchases of property and equipment	(2,976)	(763)
Net cash provided by investing activities	<u>4,274</u>	<u>4,447</u>
<b>Cash flows from financing activities</b>		
Principal payment of long-term debt	(130)	(120)
Net cash used in financing activities	<u>(130)</u>	<u>(120)</u>
(Decrease) increase in cash and cash equivalents	(1,512)	1,774
Cash and cash equivalents, beginning of year	2,561	787
Cash and cash equivalents, end of year	<u>\$ 1,049</u>	<u>\$ 2,561</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 138	\$ 199

The accompanying notes are an integral part of these financial statements.

# Public Policy Institute of California

## Notes to Financial Statements

June 30, 2011

(with summarized comparative information for the year ended June 30, 2010)

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### 1. General

Public Policy Institute of California ("PPIC") is a nonprofit, private operating foundation established in 1994. The mission of PPIC is to provide independent, nonpartisan information and analysis to assist in formulation of public policy in California.

### 2. Significant Accounting Policies

#### **Basis of Presentation**

The financial statements of PPIC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Accordingly, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of PPIC and changes therein are classified and reported as follows:

#### *Unrestricted*

PPIC receives contributions including grants from corporations, charitable organizations and individuals. Such contributions are recorded when received or unconditionally promised and are considered to be available for general support of PPIC's operations unless specifically restricted by the donor, in which case they are recorded as temporarily restricted. In addition, unrestricted net assets include income from investments.

#### *Temporarily Restricted*

Temporarily restricted net assets relate primarily to contributions whose use by PPIC is limited by donor imposed stipulations with respect to time and/or purpose that can be fulfilled by actions of PPIC pursuant to those stipulations.

#### *Permanently Restricted*

Permanently restricted net assets are contributions subject to donor-imposed restrictions that they be permanently maintained by PPIC. Permanently restricted net assets as of June 30, 2011 and 2010 consisted of one \$1 million endowment fund.

#### **Cash and Cash Equivalents**

PPIC considers all highly liquid investments purchased with original maturities of three months or less at the date of acquisition to be cash equivalents except for those held for investment purposes.

#### **Investments**

Investments received through gifts are recorded at estimated fair value at the date of donation. All equity securities and mutual funds are recorded at estimated fair value based on quoted market prices. The commingled real estate funds are recorded at estimated fair value based on the valuation provided by the investment manager using independent appraisals. Limited partnership investments are in private equity funds and are carried at valuations provided by external investment managers. Although these investments are not readily marketable and the estimated values are subject to uncertainty, PPIC believes that the carrying amount of these investments is a reasonable estimate of fair value as of June 30, 2011. Gains and losses resulting from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses are determined by comparison of proceeds with the carrying value, determined on an average cost basis. Dividend and interest income are accrued when earned.

# Public Policy Institute of California

## Notes to Financial Statements

June 30, 2011

(with summarized comparative information for the year ended June 30, 2010)

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### Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	30 years
Office furniture and equipment	5 - 7 years
Computer equipment and automobiles	3 years
Leasehold improvements	5 - 10 years

### Deferred Federal Excise Taxes

Deferred federal excise taxes are provided for unrealized gains on investments which are recognized in different periods for federal excise tax and financial reporting purposes.

### Long-Term Debt

The carrying amount of PPIC's long-term debt approximates fair value, as the bonds bear interest at a weekly variable rate.

### Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. PPIC reports gifts of cash and other assets as temporarily restricted support if such gifts are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. When the restriction is met in the same period as the contribution is received, the contributions are reported as temporarily restricted support and net assets released from restrictions.

### Bond Issuance Costs and Bond Discount

Bond issuance costs and bond discount amounts are amortized using the effective-interest method over the life of the bonds.

### Functional Expense Allocations

Expenses such as depreciation and amortization, supplies and occupancy costs, are allocated among program services, and management and general classifications. Allocations are based on the number of full-time equivalent employees within the designated classifications.

### Concentrations of Credit Risk

Financial instruments which potentially subject PPIC to credit risk consist primarily of cash and cash equivalents, contributions receivable, and investments. Cash and cash equivalents and investments are maintained with various major financial institutions. PPIC performs periodic evaluations of the relative standing of these financial institutions and limits the amount of credit exposure with any one institution. At times, such amounts may exceed Federal Depository Insurance Corporation limits. Contributions receivable are routinely monitored and, to date, PPIC has not experienced credit losses.

### Fair Value of Financial Instruments

Financial instruments included in PPIC's statement of financial position include cash and cash equivalents, investments, accounts payable and long-term debt. For cash and cash equivalents, accounts payable and long-term debt, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are recorded at their estimated fair values using methodologies described previously.

# Public Policy Institute of California

## Notes to Financial Statements

June 30, 2011

(with summarized comparative information for the year ended June 30, 2010)

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### Impairment of Long-lived Assets

PPIC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management believes that no impairment exists at June 30, 2011 and 2010.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

### Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a full presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with PPIC's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

### New Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC Topic 820, Fair Value Measurements and Disclosures, to require gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. It also clarifies two existing disclosure requirements of ASC 820-10, Fair Value Measurements and Disclosures – Overall, on the level of disaggregation of fair value measurements and disclosures on inputs and valuation techniques. The new requirements and guidance are effective for fiscal years beginning after December 15, 2009, except for the Level 3 roll forward which is effective for fiscal years beginning after December 15, 2010. The effective guidance did not have, and the guidance which will be effective for PPIC's fiscal 2012 is not expected to have, a material impact on PPIC's financial statements.

## 3. Contributions Receivable

Contributions receivable at June 30, 2011 and 2010 are due as follows:

(in thousands of dollars)

	2011	2010
Contributions receivable before discount	\$ 1,171	\$ 2,499
Less: Unamortized discount *	(45)	(60)
Net contributions receivable	<u>\$ 1,126</u>	<u>\$ 2,439</u>
Amounts due in		
Less than one year	\$ 521	\$ 1,679
One to five years	550	670
More than five years	100	150
	<u>\$ 1,171</u>	<u>\$ 2,499</u>

\* Discount rates used for the years ended June 30, 2011 and 2010 ranged from 1.79% to 4.05%.

**Public Policy Institute of California**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(with summarized comparative information for the year ended June 30, 2010)**

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**4. Investments**

The estimated fair value of investments at June 30, 2011 and 2010 is as follows:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Mutual funds		
Equity	\$ 130,081	\$ 106,156
Fixed income	37,837	37,763
Commingled real estate funds	16,803	14,683
Limited partnership investments	9,786	7,281
	<u>\$ 194,507</u>	<u>\$ 165,883</u>

Net realized and unrealized losses on investments are shown on the Statement of Activities and Changes in Net Assets net of investment management fees of approximately \$1.2 million and \$1.0 million for the years ended June 30, 2011 and 2010, respectively.

The following is a description of PPIC's valuation methodologies for assets and liabilities measured at fair value according to ASC Topic 820 requirements. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the third unobservable, that may be used to measure fair value.

Fair value for Level I is based upon quoted prices in active markets that PPIC has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. PPIC does not adjust the quoted price for such assets and liabilities. Fair value for Level II is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. Fair value for Level III is based on valuation techniques that use significant inputs that are unobservable, as they trade infrequently or not at all.

The following table presents the investments carried at fair value as of June 30, 2011 by caption on the Statement of Financial Position by ASC Topic 820 valuation hierarchy defined above:

<i>(in thousands of dollars)</i>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Fixed income mutual funds	\$ 37,837	\$ -	\$ -	\$ 37,837
Domestic, foreign, and global equity mutual funds	46,261	83,820	-	130,081
Commingled real estate funds	-	-	16,803	16,803
Limited partnership investments	-	-	9,786	9,786
	<u>\$ 84,098</u>	<u>\$ 83,820</u>	<u>\$ 26,589</u>	<u>\$ 194,507</u>

# Public Policy Institute of California

## Notes to Financial Statements

June 30, 2011

(with summarized comparative information for the year ended June 30, 2010)

The following table is a rollforward of the Statement of Financial Position amounts for investments classified by PPIC within Level III of the fair value hierarchies defined above.

<i>(in thousands of dollars)</i>	<b>Commingled Real Estate Funds</b>	<b>Limited Partnership Investments</b>	<b>Total</b>
<b>Balance at July 1, 2009</b>	\$ 15,047	\$ 5,480	\$ 20,527
Net unrealized gains (losses)	(364)	636	272
Purchases of portfolio investments	-	1,165	1,165
<b>Balance at June 30, 2010</b>	<u>14,683</u>	<u>7,281</u>	<u>21,964</u>
Net unrealized gains	3,210	1,518	4,728
Purchases of portfolio investments	2,000	1,815	3,815
Proceeds from distributions	(3,090)	(828)	(3,918)
<b>Balance at June 30, 2011</b>	<u>\$ 16,803</u>	<u>\$ 9,786</u>	<u>\$ 26,589</u>

All net unrealized gains (losses) in the table above are reflected in the accompanying Statement of Activities and Change in Net Assets. Unfunded commitments for PPIC's ten limited partnership investments were \$14.1 million as of June 30, 2011. There is no time limit on the drawdown of commitments, and there are no redemption terms for these investments.

The following table presents the investments carried at fair value as of June 30, 2010 by caption on the Statement of Financial Position by ASC Topic 820 valuation hierarchy defined above:

<i>(in thousands of dollars)</i>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Fixed income mutual funds	\$ 37,763	\$ -	\$ -	\$ 37,763
Domestic, foreign, and global equity mutual funds	36,302	69,854	-	106,156
Commingled real estate funds	-	-	14,683	14,683
Limited partnership investments	-	-	7,281	7,281
	<u>\$ 74,065</u>	<u>\$ 69,854</u>	<u>\$ 21,964</u>	<u>\$ 165,883</u>

**Public Policy Institute of California**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(with summarized comparative information for the year ended June 30, 2010)**

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**5. Property and Equipment**

Property and equipment at June 30, 2011 and 2010 consisted of the following:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Building and improvements	\$ 32,278	\$ 29,253
Office furniture and equipment	917	871
Computer equipment	719	757
Leasehold improvements	41	41
	<u>33,955</u>	<u>30,922</u>
Accumulated depreciation and amortization	(12,126)	(10,263)
Land	12,016	12,016
Construction in progress	-	253
Property and equipment, net	<u>\$ 33,845</u>	<u>\$ 32,928</u>

Depreciation expense was approximately \$2.1 million for each of the years ended June 30, 2011 and 2010.

Accumulated depreciation for building and improvements on space leased to tenants under operating lease agreements as of June 30, 2011 and 2010 was approximately \$10.9 million and \$9.1 million, respectively.

Components of net income (expense) from building operations are as follows:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Rental income	\$ 1,847	\$ 2,366
Rental expense	<u>(2,022)</u>	<u>(2,191)</u>
Net (expense) income	<u>\$ (175)</u>	<u>\$ 175</u>

**Public Policy Institute of California**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(with summarized comparative information for the year ended June 30, 2010)**

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**6. Temporarily Restricted Net Assets and Net Assets Released From Restrictions**

Temporarily restricted net assets as of June 30, 2011 reflect contributions that are restricted as to both time and purpose. Restrictions are as follows:

*(in thousands of dollars)*

James Irvine Foundation - PPIC Statewide Survey Series Californians and Their Government	\$ 222
William and Flora Hewlett Foundation - PPIC Statewide Survey Series on the Environment	420
The Riordan Foundation - PPIC Summer Internship Program	341
Sutton Family Charitable Fund - The Sutton Family Speaker Series	125
The Donald Bren Foundation - The Bren Fellows Program	634
The S.D. Bechtel Jr. Foundation - Addressing the Multiple Stressors in the Delta	510
William and Flora Hewlett Foundation - Education Policy Research	90
David and Lucile Packard Foundation - Preschool Use Among English Language Learners	50
California Emerging Technology Fund - Californians and Information Technology	53
James Irvine Foundation - Statewide Survey Data Site	16
ZeroDivide - Californians and Information Technology	50
James Irvine Foundation - Sacramento Center Organizational Support	75
RAND - Effects of Child Safety Seat Laws	5
University of California, Davis Center for Watershed Sciences - Transitions for the Delta Economy	10
	<u>\$ 2,601</u>

**Public Policy Institute of California**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(with summarized comparative information for the year ended June 30, 2010)**

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Net assets were released from program restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2011:

*(in thousands of dollars)*

Stephen Bechtel Fund - PPIC Conference Center	\$ 1,777
William and Flora Hewlett Foundation - PPIC Statewide Survey Series on Education, Population, and the Environment	260
William and Flora Hewlett Foundation - Education Policy Research	320
Pew Center on the States - PPIC Statewide Surveys Fiscal Attitudes in Five States	54
James Irvine Foundation - PPIC Statewide Survey Series Californians and Their Government	538
James Irvine Foundation - Statewide Survey Data Site	114
David A. Coulter Family Foundation - Support of PPIC Research Using NETS Database	137
California Endowment - Healthy Communities Survey	150
David and Lucile Packard Foundation - California Water Use, Management and Governance	91
Russell Sage Foundation - Interior Enforcement of Undocumented Immigration	60
Evelyn and Walter Hass, Jr. Fund - Special Projects in Sacramento	10
The Riordan Foundation - PPIC Summer Internship Program	53
James Irvine Foundation - Sacramento Center Organizational Support	75
William and Flora Hewlett Foundation - California 2025, the 2010 Election Cycle	324
Pisces Foundation - California Water Use, Management, and Governance	100
The S.D. Bechtel Jr. Foundation - California Water Use, Management, and Governance	157
The Donald Bren Foundation - The Bren Fellows Program	192
California Program on Access to Care - Child Health Insurance Programs	42
California Emerging Technology Fund - Californians and Information Technology	90
ZeroDivide - Californians and Information Technology	50
Service Employee International Union - California's Future Conference	10
Sierra Health Foundation - California's Future Conference	10
California Future Conference	95
RAND - Effects of State Child Safety Seat Laws	10
Santa Ana Watershed Project Authority - California Water Use, Management, and Governance	33
University of California, Davis Center for Watershed Sciences - Transitions for the Delta Economy	8
Silicon Valley Community Foundation - At Issue - Illegal Immigration	5
Western Interstate Commission for Higher Education - Improving Projections of High School Graduates	20
RAND - Northern N.M. Home Visiting Evaluation	10
AARP - Preparing for a Workforce Without Boomers	5
	\$ 4,800

**Public Policy Institute of California**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(with summarized comparative information for the year ended June 30, 2010)**

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**7. Income Tax Status and Federal Excise Taxes**

PPIC has been notified of its exemption from federal income taxes under Internal Revenue Code Section 501(c) (3) and from California franchise taxes under the Revenue and Taxation Code Section 23701(d).

In accordance with the applicable provisions of the Internal Revenue Code (the "Code"), PPIC is subject to an excise tax on its net investment income, excluding unrealized gains and losses, as defined. In addition, the Code requires that certain minimum distributions be made in accordance with a specified formula. At June 30, 2011 and 2010, PPIC had made the required minimum distributions. Deferred excise taxes arise primarily from unrealized tax basis gains on investments and are calculated at the effective tax rate expected to be paid by PPIC. At June 30, 2011, PPIC held a deferred excise tax liability resulting from net unrealized gains on investments in the amount of \$613,490. At June 30, 2010, PPIC held a deferred excise tax asset resulting from net unrealized losses on investments. A full valuation allowance was recorded against this asset.

PPIC was subject to a 2% excise tax rate for the years ended June 30, 2011 and 2010.

Current and deferred federal excise tax expense for the years ended June 30, 2011 and 2010 were as follows:

<i>(in thousands of dollars)</i>	<b>2011</b>	<b>2010</b>
Current federal excise tax expense	\$ 92	\$ 106
Deferred federal excise tax benefit	613	-
	<u>\$ 705</u>	<u>\$ 106</u>

**8. Long-Term Debt and Available Line of Credit**

In November 2001, PPIC issued the 2001 Series A and B Revenue Bonds (the "2001 Bonds") totaling \$33.5 million. The bonds were issued with a discount of \$268,000 and are being accreted to their redemption value over their life. Accumulated amortization as of June 30, 2011 was \$124,000. The proceeds were used to finance the purchase of the 500 Washington Street building in San Francisco, California. The 2001 Bonds bear interest at a variable weekly rate payable on the first day of each month.

The 2001 Bonds contain various restrictive financial covenants that are in effect throughout the fiscal year. These require that total outstanding debt may not exceed 33% of net assets; endowments (maintained within fixed income, domestic, foreign and global equity mutual funds) must remain above \$85.0 million; and no additional debt may be collateralized by the 500 Washington Street building. There is a standing letter of credit associated with the unpaid principal amount of these bonds.

**Public Policy Institute of California**  
**Notes to Financial Statements**  
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**(with summarized comparative information for the year ended June 30, 2010)**

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Long-term debt maturing on November 1, 2031 is as follows:

*(in thousands of dollars)*

Long term debt	\$ 32,690
Less: Unamortized bond discount	(144)
Long term debt, net	<u>\$ 32,546</u>

**9. Leases**

PPIC leases office space to tenants under several operating lease agreements whose expiration dates range from June 2012 through September 2018. Rental income for the years ended June 30, 2011 and 2010 was approximately \$1.8 million and \$2.4 million, respectively. In accordance with lease agreement terms, tenant rent for these years included each tenant's proportional share of common area cost recovery.

Future minimum rental receipts under these leases are as follows:

*(in thousands of dollars)*

<b>Year Ending</b>	
2012	\$ 1,855
2013	1,857
2014	1,765
2015	1,499
2016	1,256
Thereafter	2,274
	<u>\$ 10,506</u>

PPIC leases approximately 2,400 square feet of office space in Sacramento, California. Over a seven year term, which started in 2007, the lease has a total dollar value of approximately \$578,000 and annual payments are approximately \$81,000.

**10. Defined Contribution Plan**

PPIC has a defined contribution retirement plan covering substantially all employees, with full and immediate vesting occurring after the first year of employment. PPIC contributed approximately \$527,000 and \$526,000 to the plan during the years ended June 30, 2011 and 2010, respectively.

**11. Subsequent Events**

PPIC has evaluated the financial statements for subsequent events through October 20, 2011, which is the date the financial statements were available to be issued.