# Public Policy Institute of California

**Financial Statements**

**June 30, 2016 (With Summarized Comparative Information for the Year Ended June 30, 2015)**

# Public Policy Institute of California
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## (With Summarized Comparative Information for the Year Ended June 30, 2015)

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## Report of Independent Auditors

To the Board of Directors of
Public Policy Institute of California

We have audited the accompanying financial statements of Public Policy Institute of California ("PPIC"), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets and cash flows for the year then ended.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 the 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 our 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, we consider internal control relevant to PPIC'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 PPIC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PPIC as of June 30, 2016, 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.

***Other Matter***

We have previously audited the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets and cash flows for the year then ended (not presented herein), and in our report dated October 29, 2015 we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized comparative financial information as of June 30, 2015 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 31, 2016

# Public Policy Institute of California
## Statements of Financial Position
## June 30, 2016
## (With Summarized Comparative Information for the Year Ended June 30, 2015)

| *(in thousands of dollars)* | **2016** | **2015** |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,872 | $ 2,725 |
| Accounts receivable | 44 | 49 |
| Contributions receivable, net | 3,843 | 5,503 |
| Investments, at fair value | 230,437 | 241,293 |
| Prepaids and other assets | 1,623 | 1,124 |
| Bond issuance costs, net | 122 | 139 |
| Property and equipment, net | 27,811 | 28,950 |
| Total assets | $ 265,752 | $ 279,783 |
| **Liabilities and Net Assets** | | |
| Liabilities | | |
| Accounts payable and other accrued liabilities | $ 2,567 | $ 2,555 |
| Long-term debt | 32,602 | 32,591 |
| Total liabilities | 35,169 | 35,146 |
| Net assets | | |
| Unrestricted | 218,775 | 232,737 |
| Temporarily restricted | 10,808 | 10,900 |
| Permanently restricted | 1,000 | 1,000 |
| Total net assets | 230,583 | 244,637 |
| Total liabilities and net assets | $ 265,752 | $ 279,783 |

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

# Public Policy Institute of California
## Statements of Activities and Changes in Net Assets
## Years Ended June 30, 2016
## (With Summarized Comparative Information for the Year Ended June 30, 2015)

| *(in thousands of dollars)* | 2016 Unrestricted | 2016 Temporarily Restricted | 2016 Permanently Restricted | 2016 Total | 2015 Total |
|---|---|---|---|---|---|
| **Support and Revenue** | | | | | |
| Contributions | $ 505 | $ 3,173 | $ - | $ 3,678 | $ 10,981 |
| Contracts and research support | 461 | | | 461 | 176 |
| Investment income | 6,100 | | | 6,100 | 10,613 |
| Other | | | | - | 1 |
| Net assets released from restrictions | 3,265 | (3,265) | | - | - |
| Total support and revenue | 10,331 | (92) | - | 10,239 | 21,771 |
| **Expenses** | | | | | |
| Program services | | | | | |
| Research | 8,642 | | | 8,642 | 7,679 |
| Communication | 2,585 | | | 2,585 | 2,516 |
| Total program services | 11,227 | - | - | 11,227 | 10,195 |
| Supporting services and other | | | | | |
| Management and general | 3,283 | | | 3,283 | 3,194 |
| Net income from building operations | (330) | | | (330) | (379) |
| Building financing costs | 453 | | | 453 | 478 |
| Total supporting services and other | 3,406 | - | - | 3,406 | 3,293 |
| Total expenses | 14,633 | - | - | 14,633 | 13,488 |
| Change in net assets before net realized and unrealized losses on investments | (4,302) | (92) | - | (4,394) | 8,283 |
| Net realized and unrealized losses on investments, net of management fees | (9,660) | | | (9,660) | (1,250) |
| (Decrease) increase in net assets | (13,962) | (92) | - | (14,054) | 7,033 |
| **Net Assets** | | | | | |
| Beginning of year | 232,737 | 10,900 | 1,000 | 244,637 | 237,604 |
| End of year | $ 218,775 | $ 10,808 | $ 1,000 | $ 230,583 | $ 244,637 |

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

## Public Policy Institute of California
### Statements of Cash Flows
### Years Ended June 30, 2016
### (With Summarized Comparative Information for the Year Ended June 30, 2015)

| *(in thousands of dollars)* | | **2016** | | **2015** |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Change in net assets | $ | (14,054) | $ | 7,033 |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | | | |
| Net realized and unrealized losses on investments, net of imputed investment management fees | | 9,359 | | 930 |
| Depreciation | | 1,853 | | 1,994 |
| Amortization of bond discount and issuance costs | | 28 | | 26 |
| Changes in assets and liabilities | | | | |
| Contributions receivable, net | | 1,660 | | (4,901) |
| Accounts receivable | | 5 | | 62 |
| Prepaids and other assets | | (499) | | (25) |
| Accounts payable and other accrued liabilities | | 12 | | 400 |
| Net cash (used in) provided by operating activities | | (1,636) | | 5,519 |
| **Cash Flows from Investing Activities** | | | | |
| Proceeds from sales of investments | | 11,194 | | 28,363 |
| Purchases of investments | | (9,697) | | (30,578) |
| Purchases of property and equipment | | (714) | | (1,695) |
| Net cash provided by (used in) investing activities | | 783 | | (3,910) |
| **Cash Flows from Financing Activities** | | | | |
| Net cash used in financing activities | | - | | - |
| (Decrease) increase in cash and cash equivalents | | (853) | | 1,609 |
| **Cash and Cash Equivalents** | | | | |
| Beginning of year | | 2,725 | | 1,116 |
| End of year | $ | 1,872 | $ | 2,725 |
| **Noncash Investing Activity** | | | | |
| Purchases of property, plant and equipment not yet paid at end of period | $ | 120 | $ | - |
| **Supplemental Disclosure of Cash Flow Information** | | | | |
| Interest paid | $ | 94 | $ | 59 |

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

### 1. General

Public Policy Institute of California ("PPIC") is a not-for-profit, public charity established in 1994. The mission is to inform and improve public policy in California through independent, objective, nonpartisan research.

### 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 or permanently 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, 2016 and 2015 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**
Equity securities and mutual funds are recorded at estimated fair value based on quoted market prices or at net asset value as practical expedient. 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.

***Alternative Investments***

Alternative investments consist of direct investments in venture capital investments, private equity investments, hedge funds and other limited partnership investments. Venture capital investments, private equity investments, hedge funds and other limited partnership interests are carried at fair value. The commingled real estate funds are recorded at 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, 2016. Net changes in unrealized gains (losses) on alternative investments are reported in net realized and unrealized gains (losses) on investments, net of management fees, on the statement of activities and changes in net assets. PPIC uses the net asset value per share (the "NAV") to determine the fair value of those underlying investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. If the NAV of the investment obtained from the investee fund manager is not as of PPIC's measurement date or is not calculated in a manner consistent with the specialized accounting guidance for investment companies, PPIC considers whether an adjustment to the most recent NAV is necessary. Because of the inherent uncertainty of valuations, these amounts may differ materially from values that would be realized if the investments were sold.

**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 |

**Income Taxes**

PPIC is qualified as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, the operations of PPIC are currently considered exempt from federal income and excise taxes.

**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 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 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 fair values using methodologies described previously.

**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, 2016 and 2015.

**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 Comparative 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 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, 2015, from which the summarized information was derived.

**New Accounting Pronouncements**

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, *Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct reduction of the carrying value of the related debt, consistent with debt discounts and premiums. The standard is effective for all periods beginning on or after December 15, 2015, with early adoption permitted for financial statements that have not been previously issued. PPIC does not anticipate that the adoption will have a significant impact on PPIC's financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit-Entities (Topic 958)* ("ASU 2016-14"). This guidance revises the not-for-profit reporting model. The guidance streamlines and clarifies net asset reporting, provides flexibility regarding the definition of reported operating subtotals, and imposes new reporting requirements related to expenses. The guidance is effective for fiscal years beginning after December 15, 2017. PPIC is currently evaluating the impact this will have on future financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, ASC 606, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The new guidance requires an entity to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments. In August 2015, the FASB issued a decision to delay the effective date by one year. The new guidance is effective for fiscal years beginning after December 15, 2018. The guidance permits entities to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. PPIC is currently evaluating the impact this will have on future financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires the recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. The guidance is effective for fiscal years beginning after December 15, 2019. PPIC is currently evaluating the impact this will have on future financial statements.

## 3. Contributions Receivable

Contributions receivable at June 30, 2016 and 2015 are due as follows:

| *(in thousands of dollars)* | 2016 | 2015 |
|---|---|---|
| Contributions receivable before discount | $ 3,878 | $ 5,571 |
| Less: Unamortized discount* | (35) | (68) |
| Net contributions receivable | $ 3,843 | $ 5,503 |
| Amounts due in | | |
| Less than one year | $ 2,415 | $ 4,058 |
| One to five years | 1,463 | 1,513 |
| | $ 3,878 | $ 5,571 |

* Discount rates used to present value contributions receivable for the years ended June 30, 2016 and 2015 ranged from 0.25% to 0.67%.

## 4. Investments

The fair value of investments at June 30, 2016 and 2015 is as follows:

| *(in thousands of dollars)* | 2016 | 2015 |
|---|---|---|
| Mutual funds | | |
| Equity (a) | $ 145,221 | $ 158,247 |
| Fixed income | 38,303 | 35,170 |
| Commingled real estate funds (b) | 30,847 | 30,668 |
| Limited partnership investments (b) | 16,066 | 17,208 |
| | $ 230,437 | $ 241,293 |

(a) Equity mutual funds include investments at fair value based on the NAV as a practical expedient of $94.6 million and $101.2 million as of June 30, 2016 and June 30, 2015 respectively and, in accordance with Accounting Standards Codification ("ASC") subtopic 820-10, *Fair Value Measurements and Disclosures*, is not included in the fair value hierarchy.

(b) Fair value is based on the NAV as a practical expedient and, in accordance with ASC subtopic 820-10, *Fair Value Measurements and Disclosures*, is not included in the fair value hierarchy.

Net realized and unrealized losses on investments are shown on the Statement of Activities and Changes in Net Assets net of investment management fees for the years ended June 30, 2016 and 2015 of $1.4 million and $1.6 million, respectively.

Unfunded commitments for PPIC's ten limited partnership investments were $3.6 million as of June 30, 2016. There is no time limit on the drawdown of commitments, and there are no redemption terms for these investments. PPIC's commingled real estate funds have no commitments.

The following is a description of PPIC's valuation methodologies for assets and liabilities measured at fair value according to ASC 820, *Fair Value Measurements and Disclosures,* requirements. This 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, 2016, excluding investments at fair value based on NAV of $142 million at June 30, 2016, by type of investment in the fair value hierarchy defined above:

| *(in thousands of dollars)* | | **Level I** |
|---|---|---|
| Fixed income mutual funds | $ | 38,303 |
| Domestic, foreign, and global equity mutual funds | | 50,579 |
| | $ | 88,882 |

The following table presents the investments carried at fair value as of June 30, 2015, excluding investments at fair value based on NAV of $149.0 million at June 30, 2015, by type of investment in the fair value hierarchy defined above:

| *(in thousands of dollars)* | | **Level I** |
|---|---|---|
| Fixed income mutual funds | $ | 35,170 |
| Domestic, foreign, and global equity mutual funds | | 57,074 |
| | $ | 92,244 |

## 5. Property and Equipment

Property and equipment at June 30, 2016 and 2015 consisted of the following:

| *(in thousands of dollars)* | **2016** | **2015** |
|---|---|---|
| Building and improvements | $ 35,900 | $ 35,371 |
| Office furniture and equipment | 995 | 995 |
| Computer equipment | 827 | 783 |
| Leasehold improvements | 181 | 41 |
| | 37,903 | 37,190 |
| Accumulated depreciation | (22,108) | (20,255) |
| Land | 12,016 | 12,016 |
| Property and equipment, net | $ 27,811 | $ 28,951 |

Depreciation expense for each of the years ended June 30, 2016 and 2015 was $1.9 million and $2.0 million, respectively.

Accumulated depreciation for building and improvements on space leased to tenants under operating lease agreements as of June 30, 2016 and 2015 was $20.7 million and $18.9 million, respectively.

Components of net income from building operations are as follows:

| *(in thousands of dollars)* | **2016** | **2015** |
|---|---|---|
| Rental income | $ 2,510 | $ 2,453 |
| Rental operating expense | (2,180) | (2,074) |
| Net income | $ 330 | $ 379 |

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

Temporarily restricted net assets as of June 30, 2016 reflect contributions that are restricted as to time and/or purpose. Temporarily restricted net assets as of June 30, 2016 are as follows:

*(in thousands of dollars)*

| | | |
|---|---|---|
| California Healthcare Foundation | | |
| Creating Sustainable Funding Sources for Medi-Cal | $ | 96 |
| California Wellness Foundation | | |
| Affordable Care Act Enrollment in California's Jails | | 97 |
| College Futures Foundation | | |
| Closing the Gap by 2030: Meeting California's Need for College Graduates | | 155 |
| Dirk & Charlene Kabcenell Foundation | | |
| PPIC Statewide Survey on Californians and Higher Education | | 50 |
| Russell Sage Foundation | | |
| Affordable Care Act Enrollment in California's Jails | | 120 |
| S.D. Bechtel, Jr. Foundation | | |
| Water Policy Center | | 7,399 |
| Bechtel Conference Center | | 38 |
| Silicon Valley Community Foundation | | |
| Water Policy Center | | 5 |
| Stuart Foundation | | |
| County Office of Education Role in Local Accountability | | 7 |
| Special Education Funding in California | | 74 |
| Sunlight Giving | | |
| California's Low-income Families and the high cost of living and | | 325 |
| Geography of Child Poverty in California | | |
| Sutton Family Charitable Fund | | 375 |
| The Sutton Family Speaker Series | | |
| The Arjay and Frances Miller Foundation | | |
| PPIC Statewide Survey on Californians and Higher Education | | 30 |
| The California Endowment | | |
| Prop 47 and Jail Populations | | 25 |
| PPIC General support | | 40 |
| The Flora Family Foundation | | |
| PPIC Statewide Survey on Californians and Higher Education | | 10 |
| The James Irvine Foundation | | |
| California's Exclusive Electorate | | 36 |
| PPIC Statewide Survey on Californians and their Government, Sacramento Engagement | | 792 |
| What to Expect From California's New Automated Voter Registration | | 89 |
| The Leona M. and Harry B. Helmsley Charitable Trust | | |
| Improving College Pathways in California | | 104 |
| The Riordan Foundation | | |
| PPIC Summer Internship Program | | 96 |
| The Sutton Family Fund | | |
| Higher Education Center | | 695 |
| TomKat Charitable Trust | | |
| Water Policy Center | | 140 |
| Walter B. Hewlett | | |
| PPIC Statewide Survey on Californians and Higher Education | | 10 |
| | $ | 10,808 |

Net assets were released from program restrictions by incurring expenses satisfying the restricted time and/or purpose as follows for the year ended June 30, 2016:

*(in thousands of dollars)*

| | | |
|---|---|---|
| Applied Material Foundation | | |
| Education - Math Placement Policy | $ | 25 |
| California Community Foundation | | |
| PPIC Statewide Survey on Californians and Education (K-12) | | 15 |
| California Healthcare Foundation | | |
| Data Linkage Project | | 53 |
| Creating Sustainable Funding Sources for Medi-Cal | | 9 |
| California Wellness Foundation | | |
| Affordable Care Act Enrollment in California's Jails | | 45 |
| College Futures Foundation | | |
| Closing the Gap by 2030: Meeting California's Need for College Graduates | | 43 |
| Dirk and Charlene Kabcenell | | |
| Special Education Funding in California | | 25 |
| PPIC Statewide Survey on Californians and Education (K-12) | | 35 |
| PPIC Statewide Survey on Californians and the Environment | | 25 |
| Evelyn & Walter Haas Jr. Fund | | |
| General Support - K12 and Local Control Funding Formula | | 30 |
| Heising-Simons Foundation | | |
| PPIC Statewide Survey on Californians and the Environment | | 50 |
| Pisces Foundation | | |
| PPIC Statewide Survey on Californians and the Environment | | 50 |
| Resource Legacy Fund | | |
| Analysis of Physical Impacts of Continuing Drought | | 75 |
| Water Information Systems | | 90 |
| Russel Sage Foundation | | |
| Affordable Care Act Enrollment in California's Jails | | 18 |
| S.D. Bechtel, Jr. Foundation | | |
| Water Policy Center | | 884 |
| PPIC Statewide Survey on Californians and Education (K-12) | | 35 |
| Silicon Valley Community Foundation | | |
| Higher Education Policy Center | | 5 |
| Silver Giving Foundation | | |
| PPIC Statewide Survey on Californians and Education | | 18 |
| PPIC Statewide Survey on Californians and Education (K-12) | | 35 |
| Stuart Foundation | | |
| PPIC Statewide Survey on Californians and Education (K-12) | | 35 |
| Special Education Funding in California | | 25 |
| The County Office of Education Role in Local Accountability | | 68 |
| Sutton Family Charitable Fund | | |
| The Sutton Family Speaker Series | | 25 |
| The California Endowment | | |
| PPIC General support | | 30 |
| Prop 47 and Jail Populations | | 50 |
| The David & Lucille Packard Foundation | | |
| Water Information Systems and Improving Environmental Management | | 100 |
| The James Irvine Foundation | | |
| PPIC Statewide Survey on Californians and their Government, Sacramento Engagement | | 768 |
| What to Expect From California's New Automated Voter Registration | | 110 |
| California's Exclusive Electorate | | 23 |
| The Riordan Foundation | | |
| PPIC Summer Internship Program | | 50 |
| The Sutton Family Fund | | |
| Higher Education Center | | 306 |
| The William & Flora Hewlett Foundation | | |
| How the Feds Can Help: Building Drought Resilience in the West | | 100 |
| TomKat Charitable Trust | | |
| Water Policy Center | | 10 |
| | $ | 3,265 |

### 7. 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, 2016 was $179,658. 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.

There is a standing letter of credit associated with the unpaid principal amount of the 2001 bonds. There are various restrictive financial covenants related to the line of credit 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. PPIC was in compliance with the covenants as of June 30, 2016 and the letter of credit was not used during the fiscal year.

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

*(in thousands of dollars)*

| | | |
|---|---|---|
| Long term debt | $ | 32,690 |
| Less: Unamortized bond discount | | (88) |
| Long term debt, net | $ | 32,602 |

### 8. Leases

PPIC leases office space to tenants under several operating lease agreements whose expiration dates range from August 2016 through September 2026. Rental income for both of the years ended June 30, 2016 and 2015 was $2.5 million. 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)*

| **Years Ending** | | |
|---|---|---|
| 2017 | $ | 2,122 |
| 2018 | | 2,046 |
| 2019 | | 1,457 |
| 2020 | | 1,555 |
| 2021 | | 1,365 |
| **Thereafter** | | 4,825 |
| | $ | 13,370 |

PPIC leases approximately 3,566 square feet of office space in Sacramento, California. In September 2015, PPIC extended the office lease in Sacramento for another 126 months, to February 2025. Rental expense for the years ended June 30, 2016 and 2015 was $122,000 and $115,000, respectively. Future minimum rental payments under this lease are as follows:

*(in thousands of dollars)*

| Years Ending | | |
|---|---|---|
| 2017 | $ | 126 |
| 2018 | | 130 |
| 2019 | | 133 |
| 2020 | | 136 |
| 2021 | | 140 |
| **Thereafter** | | 542 |
| | $ | 1,207 |

## 9. 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 $697,000 and $621,000 to the plan during the years ended June 30, 2016 and 2015, respectively.

## 10. Subsequent Events

PPIC has evaluated for subsequent events through October 31, 2016, which is the date the financial statements were available to be issued.