

Public Policy Institute of California

Report on Financial Statements

For the Year Ended June 30, 2009

**(with summarized comparative information for the
year ended June 30, 2008)**

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, 2009, 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, 2008 financial statements and in our report dated October 23, 2008, 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 30, 2009

Public Policy Institute of California
Statement of Financial Position
June 30, 2009 (with summarized comparative information for June 30, 2008)

<i>(in thousands of dollars)</i>	2009	2008
Assets		
Cash and cash equivalents	\$ 787	\$ 475
Accounts receivable	9	11
Contributions receivable, net	3,756	1,621
Investments, at fair value	155,352	213,014
Prepays and other assets	526	355
Bond issuance costs, net	239	257
Property and equipment, net	<u>34,282</u>	<u>34,367</u>
Total assets	<u>\$ 194,951</u>	<u>\$ 250,100</u>
Liabilities and net assets		
Liabilities		
Accounts payable and other accrued liabilities	\$ 2,834	\$ 2,984
Deferred federal excise taxes	-	653
Long-term debt	<u>32,771</u>	<u>32,869</u>
Total liabilities	<u>35,605</u>	<u>36,506</u>
Net assets		
Unrestricted	152,559	209,153
Temporarily restricted	5,787	3,441
Permanently restricted	<u>1,000</u>	<u>1,000</u>
Total net assets	<u>159,346</u>	<u>213,594</u>
Total liabilities and net assets	<u>\$ 194,951</u>	<u>\$ 250,100</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, 2009
(with summarized comparative information for the year ended June 30, 2008)

	2009			Total	2008
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<i>(in thousands of dollars)</i>					
Support and revenue					
Contributions	\$ 158	\$ 5,509	\$ -	\$ 5,667	\$ 4,557
Investment income	7,209			7,209	8,718
Other	7			7	8
Net assets released from restrictions	3,163	(3,163)		-	-
Total support and revenue	10,537	2,346	-	12,883	13,283
Expenses					
Program services					
Research	6,424			6,424	6,149
Communication	3,094			3,094	3,016
Total program services	9,518	-	-	9,518	9,165
Supporting services and other					
Management and general	3,732			3,732	3,744
Federal excise tax benefit	(637)			(637)	(258)
Net expense from building operations	131			131	224
Building financing costs	938			938	1,406
Total supporting services and other	4,164	-	-	4,164	5,116
Total expenses	13,682	-	-	13,682	14,281
Change in net assets before net realized and unrealized (losses) / gains on investments	(3,145)	2,346	-	(799)	(998)
Net realized and unrealized losses on investments, net of management fees	(53,449)			(53,449)	(21,111)
(Decrease) increase in net assets	(56,594)	2,346	-	(54,248)	(22,109)
Net assets					
Beginning of year	209,153	3,441	1,000	213,594	235,703
End of year	\$ 152,559	\$ 5,787	\$ 1,000	\$ 159,346	\$ 213,594

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, 2009
(with summarized comparative information for the year ended June 30, 2008)

<i>(in thousands of dollars)</i>	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (54,248)	\$ (22,109)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized losses on investments	52,463	19,818
Receipt of contributed securities	(171)	(333)
Permanently restricted endowment contribution	-	(1,000)
Depreciation and amortization	1,952	1,404
Amortization of bond issuance costs	18	17
Amortization of bond discount	12	12
Loss on disposal of equipment	55	40
Changes in assets and liabilities		
Contributions receivable, net	(2,135)	(290)
Accounts receivable	2	(3)
Prepays and other assets	(133)	(87)
Accounts payable and other accrued liabilities	(44)	268
Deferred federal excise taxes	(653)	(485)
Deferred rent	(38)	(21)
Net cash used in operating activities	<u>(2,920)</u>	<u>(2,769)</u>
Cash flows from investing activities		
Proceeds from sales of investments	39,020	19,549
Purchases of investments	(33,650)	(14,161)
Purchases of property and equipment	(2,028)	(3,614)
Net cash provided by investing activities	<u>3,342</u>	<u>1,774</u>
Cash flows from financing activities		
Permanently restricted endowment contribution	-	1,000
Principal payment of long-term debt	(110)	(100)
Net cash (used in)/provided by financing activities	<u>(110)</u>	<u>900</u>
Increase/(decrease) in cash and cash equivalents	312	(95)
Cash and cash equivalents, beginning of year	475	570
Cash and cash equivalents, end of year	<u>\$ 787</u>	<u>\$ 475</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 728	\$ 1,201
Federal excise taxes paid	-	285
Noncash transactions		
Accrued purchases of property and equipment	905	1,011
Receipt of contributed securities	171	333

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

Public Policy Institute of California

Notes to Financial Statements

June 30, 2009

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. PPIC bases its findings upon empirical research and has established an active program of dissemination.

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, 2009 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, 2009 and 2008. 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, 2009

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, interest and dividends receivable, investments, accounts payable and other accrued liabilities. For cash and cash equivalents, interest and dividends receivable, accounts payable and other accrued liabilities, 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, 2009

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, 2009 and 2008.

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, 2008, from which the summarized information was derived.

New Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The provisions of SFAS No. 159 were effective July 1, 2008. SFAS No. 159 gives entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. PPIC did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. The standard defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under SFAS No. 157 as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard is effective for fiscal years beginning after November 15, 2007 except for certain provisions, which were deferred for an additional year. PPIC adopted this pronouncement for the fiscal year ended June 30, 2009.

In August 2008, the FASB issued FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. The standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and expands disclosures about an organization's endowment (both donor-restricted and board-designated funds), whether or not the organization is subject to UPMIFA. The standard is effective for fiscal years ending after December 15, 2008. PPIC adopted this pronouncement for the fiscal year ended June 30, 2009.

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In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFAS No. 165 requires the disclosure of the date through which an entity has evaluated subsequent events and is effective for interim and annual reporting periods ending after June 15, 2009. PPIC adopted this pronouncement for the fiscal year ended June 30, 2009.

3. Contributions Receivable

Contributions receivable at June 30, 2009 and 2008 are due as follows:

<i>(in thousands of dollars)</i>	2009	2008
Contributions receivable before discount	\$ 3,828	\$ 1,655
Less: Unamortized discount *	<u>(72)</u>	<u>(34)</u>
Net contributions receivable	<u>\$ 3,756</u>	<u>\$ 1,621</u>
Amounts due in:		
Less than one year	\$ 1,793	\$ 597
One to five years	1,860	858
More than five years	<u>175</u>	<u>200</u>
	<u>\$ 3,828</u>	<u>\$ 1,655</u>

* Discount rates used for the years ended June 30, 2009 and 2008 ranged from 1.79% to 4.05%.

4. Investments

The estimated fair value of investments at June 30, 2009 and 2008 is as follows:

<i>(in thousands of dollars)</i>	2009	2008
Mutual funds		
Equity	\$ 93,910	\$ 139,919
Fixed income	40,915	42,824
Commingled real estate funds	15,047	25,359
Limited partnership investments	<u>5,480</u>	<u>4,912</u>
	<u>\$ 155,352</u>	<u>\$ 213,014</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 \$1.0 million and \$1.3 million for the years ended June 30, 2009 and 2008, respectively.

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The following is a description of PPIC's valuation methodologies for assets and liabilities measured at fair value according to SFAS No.157 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 financial instruments carried at fair value as of June 30, 2009 by caption on the Statement of Financial Position by the SFAS No.157 valuation hierarchy defined above:

<i>(in thousands of dollars)</i>	Level I	Level II	Level III	Total
Fixed income mutual funds	\$ 40,915	\$ -	\$ -	\$ 40,915
Domestic, foreign, and global equity mutual funds	8,737	85,173		93,910
Commingled real estate funds			15,047	15,047
Limited partnership investments			5,480	5,480
Total	\$ 49,652	\$ 85,173	\$ 20,527	\$ 155,352

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

<i>(in thousands of dollars)</i>	Commingled Real Estate Funds	Limited Partnership Investments	Total
Balance at July 1, 2008	\$ 25,359	\$ 4,912	\$ 30,271
Net realized gains/(losses)	(10,312)	(1,353)	(11,665)
Purchases of portfolio investments	-	2,182	2,182
Proceeds from distributions	-	(261)	(261)
Balance at June 30, 2009	\$ 15,047	\$ 5,480	\$ 20,527

All net unrealized gains/(losses) in the table above are reflected in the accompanying Statement of Activities and Changes in Net Assets. Net unrealized losses relate to those financial instruments held by PPIC at June 30, 2009.

Public Policy Institute of California
Notes to Financial Statements
June 30, 2009

5. Property and Equipment

Property and equipment at June 30, 2009 and 2008 consisted of the following:

<i>(in thousands of dollars)</i>	2009	2008
Building and improvements	\$ 28,824	\$ 25,432
Office furniture and equipment	871	854
Computer equipment	1,216	1,137
Leasehold improvements	112	112
	<u>31,023</u>	<u>27,535</u>
Accumulated depreciation and amortization	(8,757)	(6,902)
Land	12,016	12,016
Construction in progress	-	1,718
	<u>\$ 34,282</u>	<u>\$ 34,367</u>
Property and equipment, net		

Depreciation expense for the years ended June 30, 2009 and 2008 was approximately \$2.0 million and \$1.4 million, respectively.

Accumulated depreciation for building and improvements on space leased to tenants under operating lease agreements as of June 30, 2009 and 2008 was approximately \$7.2 million and \$5.5 million, respectively.

Components of net expense from building operations are as follows:

<i>(in thousands of dollars)</i>	2009	2008
Rental income	\$ 1,947	\$ 1,445
Rental expense	<u>(2,078)</u>	<u>(1,669)</u>
Net expense	<u>\$ (131)</u>	<u>\$ (224)</u>

Public Policy Institute of California
Notes to Financial Statements
June 30, 2009

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

Temporarily restricted net assets as of June 30, 2009 reflect contributions that are restricted as to both time and purpose. Restrictions are as follows:

(in thousands of dollars)

William and Flora Hewlett Foundation - Education Policy Research	\$ 225
James Irvine Foundation - PPIC Statewide Survey Series	
Californians and Their Government	1,191
William and Flora Hewlett Foundation - California 2025, the 2010 Election Cycle	757
William and Flora Hewlett Foundation - PPIC Statewide Survey Series on	
Education, Population, and the Environment	650
The Riordan Foundation - PPIC Summer Internship Program	393
David Coulter - Support of PPIC Research Using NETS Database	193
The Donald Bren Foundation - The Bren Fellows Program	953
The S.D. Bechtel Jr. Foundation - California Water Use, Management,	
and Governance	468
Resources Legacy Fund - California Water Use, Management, and Governance	100
Santa Ana Watershed Project Authority - California Water Use, Management,	
and Governance	50
California Emerging Technology Fund - Californians and Internet Technology	142
James Irvine Foundation - Statewide Survey Data Site	150
Zero Divide - Californians and Internet Technology	100
The Stuart Foundation - Informing California Child Welfare Policy	60
James Irvine Foundation - Sacramento Center Organizational Support	250
California Program on Access to Care - Child Health Insurance Programs	42
The California State Association of Counties - Fiscal Stress	20
The California Wellness Foundation - California's Transportation and	
Environmental Goals	25
Spencer Foundation - Latino Representation on California's School Boards	18
	<u>\$ 5,787</u>

Public Policy Institute of California
Notes to Financial Statements
June 30, 2009

Net assets were released from program restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2009:

(in thousands of dollars)

William and Flora Hewlett Foundation - PPIC Statewide Survey Series on Education, Population, and the Environment	\$ 508
William and Flora Hewlett Foundation - California 2025, Phase 3	314
David and Lucile Packard Foundation - Comparing Futures for the Sacramento-San Joaquin Delta	126
James Irvine Foundation - PPIC Statewide Survey Series Californians and Their Government	400
David Coulter - Support of PPIC Research Using NETS Database	311
William and Flora Hewlett Foundation - Education Policy Research	350
James Irvine Foundation - Taking Back Your Government	125
William and Flora Hewlett Foundation - California 2025 Workforce	100
California Emerging Technology Fund - Californians and Internet Technology	100
Zero Divide - Californians and Internet Technology	100
David and Lucile Packard Foundation - PPIC Organizational Development	100
James Irvine Foundation - PPIC Statewide Survey Series on Californians and Their Government	109
The Stuart Foundation - Informing California Child Welfare Policy	65
The California Endowment - Capacity Building Grant for Health Policy Research	70
Next Ten - Preparing for a Changing Climate	28
The Riordan Foundation - PPIC Summer Internship Program	61
James Irvine Foundation - Sacramento Center Organizational Support	50
William and Flora Hewlett Foundation - California 2025, the 2010 Election Cycle	42
The California State Association of Counties - Fiscal Stress	30
The S.D. Bechtel Jr. Foundation - California Water Use, Management, and Governance	32
The Donald Bren Foundation - The Bren Fellows Program	19
The Nature Conservancy - Preparing for a Changing Climate	10
David and Lucile Packard Foundation - Survey Supplement on Summer Activities	10
Spencer Foundation - Latino Representation on California's School Boards	22
The California Wellness Foundation - California's Transportation and Environmental Goals	25
Rand Corporation - First Born Impact Evaluation	5
Special Hope Foundation - Special Education	15
Resources Legacy Fund - Bechtel Planning Grant	13
Research Foundation CUNY / Ford Foundation - Immigration and the Informal Economy	10
Research Foundation CUNY / Ford Foundation - California Immigrant Settlement	10
James Irvine Foundation - PPIC Organizational Development	3
	\$ 3,163

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Notes to Financial Statements
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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, 2009 and 2008, 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, 2009, PPIC held a deferred excise tax asset resulting from net unrealized losses on investments. Due to the uncertainty that PPIC will be able to benefit from the deferred tax asset at June 30, 2009, a full valuation allowance has been recorded against the asset.

PPIC was subject to a 2% and 1% excise tax rate for the years ended June 30, 2009 and 2008, respectively.

Current and deferred federal excise tax expense/(benefit) for the years ended June 30, 2009 and 2008 were as follows:

<i>(in thousands of dollars)</i>	2009	2008
Current federal excise tax expense	\$ 16	\$ 227
Deferred federal excise tax benefit	<u>(653)</u>	<u>(485)</u>
	<u>\$ (637)</u>	<u>\$ (258)</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, 2009 was \$100,000. 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 the investment balance) must remain above \$125.0 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.

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Long-term debt maturing in years 2010 through 2014 and in the aggregate thereafter is as follows:

(in thousands of dollars)

Year Ending	
2010	\$ 120
2011	130
2012	920
2013	965
2014	1,010
Thereafter	<u>29,794</u>
	32,939
Less: unamortized bond discount	<u>(168)</u>
Long term debt, net	<u>\$ 32,771</u>

PPIC has a \$3.0 million revolving line of credit available. PPIC has not borrowed funds under this arrangement since its inception.

9. Leases

PPIC leases office space to tenants under several operating lease agreements whose expiration dates range from March 2009 through September 2018. Rental income for the years ended June 30, 2009 and 2008 was approximately \$1.9 million and \$1.4 million, respectively.

Future minimum rental receipts under these leases are as follows:

(in thousands of dollars)

Year Ending	
June 30, 2009	
2010	\$ 1,901
2011	1,437
2012	1,470
2013	1,343
2014	1,250
Thereafter	<u>3,077</u>
	<u>\$ 10,478</u>

PPIC leases approximately 2,400 square feet of office space in Sacramento, California. Over a seven year term, 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 \$570,000 and \$557,000 to the plan during the years ended June 30, 2009 and 2008, respectively.

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Notes to Financial Statements
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11. Subsequent Events

PPIC has evaluated the financial statements for subsequent events through October 30, 2009, which is the date the financial statements were available to be issued.